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Article

How Organisational Behaviour Influences the Adaptation of Traditional Banks to FinTech Disruption

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Name of Author:
Dr. Puja Sharma[1], Sonali Singh[2], Niharika Singh[3], Karuna Joshi[4]

Affiliation:
[1]Assistant Professor, Dayananda Sagar College of Arts, Science & Commerce
[2]Assistant Professor, Department of Management, Lalit Narayan Mishra College of Business Management, Muzaffarpur, Bihar
[3]Assistant Professor, Department of Management, Lalit Narayan Mishra College of Business Management, Muzaffarpur, Bihar
[4]Research Scholar, Shri Venkateshwara University, Gajraula, Uttar Pradesh.

Corresponding Author:
Dr. Puja Sharma
puja2487@gmail.com

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Abstract: The rapid expansion of FinTech innovations has fundamentally reconfigured global financial services, challenging the traditional banking sector to rethink its operational, cultural, and strategic foundations. This study examines how organisational behaviour shapes the capacity of conventional banks to adapt to FinTech-driven disruption. Using a systematic qualitative synthesis of academic literature, institutional reports, and industry analyses produced between 2015 and 2025, the research identifies leadership orientation, organisational culture, talent capabilities, structural design, and governance mechanisms as the core behavioural determinants influencing digital transformation outcomes. Findings reveal that banks with visionary, digitally literate leadership, agile structures, and learning-oriented cultures demonstrate significantly higher adaptability compared to institutions constrained by hierarchical processes and risk-averse mindsets. Talent shortages in analytics, AI, and cybersecurity further hinder transformation, while collaborative structures, regulatory sandboxes, and cross-functional teams enhance responsiveness. The study emphasises that technology adoption alone is insufficient; sustainable transformation requires behavioural alignment, cultural flexibility, and structural agility. By foregrounding organisational behaviour as the central explanatory factor, the research contributes a consolidated perspective on why some banks adapt effectively while others lag, offering actionable insights for managers, policymakers, and future researchers examining digital disruption in financial institutions.

Keywords— FinTech disruption, organisational behaviour, digital transformation, banking sector, leadership, organisational culture, agility.

INTRODUCTION

Background and Context

The rapid evolution of financial technologies over the past decade has redefined the architecture of the global financial ecosystem. FinTech innovations—ranging from digital wallets and algorithmic lending platforms to biometric authentication and API-based open banking—have created new modes of delivering financial services with unprecedented speed, convenience, and cost efficiency. These developments are not superficial technological enhancements; they represent deep structural shifts in how financial intermediation is conceived and executed. Evidence from international institutions such as the Bank for International Settlements (BIS) shows that digital innovation is reshaping market structures and enabling new entrants to unbundle traditional banking services. Industry analyses, including those by McKinsey, further highlight that FinTechs demonstrate faster product-release cycles and higher operational agility, which intensifies competitive pressure on incumbent banks. Similarly, the EBRD's BEPS III survey of hundreds of bank leaders across emerging markets confirms that traditional banks are increasingly compelled to modernize their service portfolios in response to advancing digital finance trends.

Problem Statement

Despite significant technological advances, the central challenge for traditional banks lies not merely in acquiring new digital tools but in transforming the organisational behaviours that determine how these tools are understood, adopted, and deployed. Technology alone cannot guarantee successful adaptation; rather, leadership mindsets, cultural flexibility, risk appetite, talent capabilities, and governance structures collectively shape how effectively banks respond to FinTech-driven disruption. While FinTechs benefit from lean, innovation-oriented cultures and agile development practices, many traditional banks continue to be constrained by hierarchical structures, legacy processes, and risk-averse decision-making patterns. This cultural and behavioural inertia results in slower transformation cycles, reduced responsiveness, and gaps in customer-centric innovation. Addressing the behavioural dimension is therefore crucial to understanding why certain banks adapt successfully while others struggle.

Significance of the Study

Given the magnitude of ongoing disruptions and the organisational complexity of banks, a qualitative synthesis of existing research provides essential insights into the underlying behavioural factors shaping adaptation outcomes. Although numerous studies examine digital transformation in banking, there remains a lack of consolidated analysis that specifically foregrounds organisational behaviour as the central explanatory variable. Past literature often focuses on technological capacities or regulatory changes but treats organisational behaviour only tangentially. This study addresses that gap by integrating diverse academic papers, institutional reports, and empirical surveys to provide a cohesive understanding of how behavioural dynamics influence banks' adaptation pathways. Such a synthesis not only clarifies conceptual relationships but also offers actionable implications for managers and policymakers.

Research Questions

This study is guided by the following core research questions:

1. How do different organisational behaviour components influence adaptation strategies in traditional banks?
2. Which organisational mechanisms help or hinder digital transformation in response to FinTech disruption?
3. What behavioural and structural patterns emerge across global research on bank adaptation?

LITERATURE REVIEW

Theoretical Foundation: Organisational behaviour literature provides a conceptual basis for understanding how banks respond to technological disruption. Organisational culture theory highlights shared values and behavioural norms that determine risk appetite, innovation capacity, and openness to change. Leadership theory—especially transformational and strategic leadership—explains how top executives mobilise resources, build vision alignment, and drive digital initiatives. Dynamic capabilities theory emphasises the organisation's ability to sense technological shifts, seize opportunities, and reconfigure internal processes accordingly. The concept of organisational ambidexterity illustrates how firms must simultaneously exploit existing routines while exploring disruptive innovations. Likewise, organisational learning theory frames how institutions accumulate knowledge, apply lessons from failure, and develop adaptive behaviour. Together, these theoretical foundations form the analytical lens for assessing adaptation responses of traditional banks to FinTech-led digital shifts.

FinTech Disruption Landscape: Across global financial systems, FinTech disruptions have accelerated through API banking, blockchain payments, digital wallets, and data-driven lending models. Secondary reports from the Bank for International Settlements, McKinsey, and Accenture indicate that FinTech firms operate with release cycles 5–10 times faster than traditional banks, primarily due to lean structures and advanced automation. McKinsey's 2023 Digital Banking Report notes that digitally native institutions deploy updates weekly, compared to quarterly or semiannual releases in incumbent banks. These rapid cycles, combined with lower operational costs, create intense competitive pressure.

Organisational Culture: A consistent theme across the literature is that risk-averse and compliance-heavy cultures limit banks' ability to embrace digital innovation. Studies show that hierarchical decision-making slows project execution and reduces experimentation, whereas FinTechs thrive on iterative learning and autonomy. In response, some global banks have migrated to "agile squads," flattening hierarchies and decentralising decision-making. For example, ING and DBS have restructured business units into cross-functional teams that mimic technology firms' work culture. Evidence across secondary research indicates that cultural inertia is one of the most significant barriers to digital transformation.

Leadership and Strategic Orientation: Leadership commitment is repeatedly identified as a decisive factor in how quickly banks can adapt. The BEPS III survey of 339 bank CEOs reveals that institutions with top-level support for digital strategy are 40% more likely to implement enterprise-level transformation initiatives. Leaders influence resource allocation, partnerships with FinTech firms, and the pace of technology adoption. Strong strategic orientation—characterised by clarity of digital vision, alignment of business models, and investment in analytics—correlates with higher adaptability and operational resilience.

HR and Talent Capabilities: Research emphasises that digital transformation is limited not only by technology but by workforce preparedness. Studies, including a 2024 MDPI analysis, document acute shortages of data scientists, cybersecurity experts, AI engineers, and UX professionals in traditional banks. In response, institutions have launched reskilling programmes, internal academies, and collaborative training with technology vendors. However, legacy HR systems often struggle to integrate new competencies. Literature converges on the finding that talent capability is a central determinant of a bank's ability to respond to FinTech disruptions effectively.

Structure, Governance, and Decision Processes: Traditional banks often operate with siloed structures, multiple approval layers, and rigid governance mechanisms. These features restrict rapid decision-making and hinder innovation diffusion. Industry research shows that shifting towards cross-functional teams, decentralised governance, and faster approval workflows significantly enhances responsiveness. Many banks have adopted agile governance models, innovation labs, and sandboxes to counter structural rigidity. Evidence suggests that structural reforms are foundational for enabling broader behavioural and cultural change.

Author(s) & Year	Focus Area	Methodology	Key Findings	Relevance to Present Study
Bank for International Settlements (2023)	Global FinTech disruption and banking responses	Comparative analysis of 60+ financial systems	FinTech lowers transaction costs, increases competition; incumbent banks lag in innovation	Establishes macro-context of FinTech pressures on banks
McKinsey & Company (2023)	Digital transformation in global banking	Industry survey and performance benchmarking	Digitally mature banks achieve 55% higher ROE; legacy culture slows transformation	Provides empirical evidence linking culture to digital performance
Accenture (2022)	Technology-led transformation in banking	Case studies and executive interviews	Agile, cloud-native structures speed service delivery and reduce bottlenecks	Supports insights on structure and decision-making processes
ING Group (2020)	Internal agile transformation	Organisational change documentation	Shift to squads/tribes cut delivery time by 40% and raised innovation output	Shows cultural and structural redesign increasing adaptability
DBS Bank (2019)	Digital leadership and culture	Longitudinal analysis	Digital-first culture and strong leadership central to digital success	Demonstrates leadership's role in shaping organisational behaviour
European Bank for Reconstruction and Development (EBRD, 2022)	FinTech ecosystems and bank–FinTech collaboration	Cross-country comparative study	Partnership-oriented banks adapt faster than those relying solely on internal innovation	Highlights collaboration as a behaviour-driven adaptation strategy
MDPI Journal Article (2024)	Digital talent and HR readiness in banking	Systematic literature review	Severe shortages in AI and analytics talent; underinvestment in	Validates talent-related organisational

			reskilling	constraints
Kane et al. (2021)	Culture and digital maturity across industries	Multi-industry survey	Cultural flexibility consistently predicts digital success	Supports the central argument that OB drives adaptation, not technology alone
BEPS III Survey (2023)	CEO strategic orientation in digital banking	Survey of 339 global bank CEOs	Strong CEO-driven digital vision increases transformation success by 40%	Direct evidence for leadership as an OB determinant
OECD (2022)	Digital transformation across institutional sectors	Policy and cross-country data analysis	Learning cultures and collaborative structures accelerate transformation	Reinforces theories of learning and ambidexterity

Table 1: Summary of Major Secondary Sources Reviewed

METHODOLOGY

The study adopts a systematic qualitative synthesis to examine how organisational behaviour influences the capacity of traditional banks to adapt to FinTech-driven disruption. This research design is appropriate because organisational behaviour encompasses cultural values, leadership orientations, human resource practices, and structural characteristics that require interpretive, context-rich analysis. A qualitative synthesis allows integration of diverse conceptual and empirical insights to uncover patterns that cannot be captured through quantitative aggregation alone.

Secondary data were collected from recognised scholarly and institutional sources, including Scopus, Web of Science, Google Scholar, BIS publications, and the Cambridge Centre for Alternative Finance (CCAF). Searches drew upon carefully developed strings such as "organisational behaviour AND banking," "FinTech disruption AND bank transformation," "digital culture in financial institutions," and "leadership AND digital banking." The review covered literature produced between 2015 and 2025 to reflect the decade in which FinTech innovations—API banking, digital wallets, algorithmic credit scoring, and cloud-native platforms—most significantly accelerated.

Inclusion criteria permitted peer-reviewed journal articles, doctoral theses, books from academic publishers, and industry reports that clearly outlined their analytical frameworks or methodological procedures. Excluded materials comprised blogs, opinion pieces, promotional white papers, and reports lacking methodological detail, ensuring that only rigorous and credible sources contributed to the synthesis. This filtering helped maintain conceptual reliability and ensured that conclusions rested on evidence-based analyses rather than interpretive speculation.

Information from each selected study was extracted in narrative form, focusing on how organisational culture, leadership commitment, talent readiness, structural arrangements, governance mechanisms, and organisational learning practices shaped banks' responses to technological disruption. Studies were compared to identify converging arguments, contextual differences, and recurring behavioural patterns influencing adaptation.

Reliability was supported by cross-verifying findings across multiple types of sources—academic, institutional, and industry-based. Validity was strengthened through triangulation, whereby consistent themes emerging from independent bodies of literature were treated as robust insights. Together, these measures ensured that the qualitative synthesis offers a credible and comprehensive understanding of organisational behaviour in the context of FinTech transformation.

FINDINGS

Leadership and Vision

Across the reviewed studies, leadership emerges as the most influential determinant of successful adaptation to FinTech disruption. Evidence from McKinsey (2023) demonstrates that banks with strong CEO-led digital visions implement transformation initiatives nearly twice as fast as those with fragmented leadership agendas. These leaders play a strategic role in allocating resources, prioritising digital investments, and establishing digital transformation as an enterprise-wide mandate rather than a technology project. In several cases, CEO involvement directly correlates with faster integration of analytics, cloud platforms, and customer-centric innovations.

The EBRD's BEPS III survey reinforces this insight, showing that banks with committed top management were up to 40% more likely to achieve scalable digital transformation. Leadership commitment reduces internal resistance, aligns functional units, and accelerates collaboration with FinTech partners. Together, these findings indicate that visionary, decisive, and digitally literate leadership is a primary enabler of behavioural change in traditional banks.

Organisational Culture

Culture consistently appears as the most persistent behavioural barrier to digital adaptation. Studies highlight that legacy banks are characterised by risk aversion, procedural rigidity, and a strong preference for stability, all of which reduce the institution's capacity to embrace disruptive technologies. These cultural traits slow experimentation, discourage cross-functional collaboration, and limit employees' willingness to adopt new digital processes.

Empirical evidence across industry reports shows that culture is the strongest predictor of innovation outcomes. For instance, research published in HBR indicates that organisations with flexible, learning-oriented cultures outperform rigid institutions in digital maturity. Institutions that implemented agile cultural shifts—such as ING and DBS—demonstrated significant improvements in product delivery speed and customer experience, underscoring the centrality of cultural transformation.

Talent and Human Resources

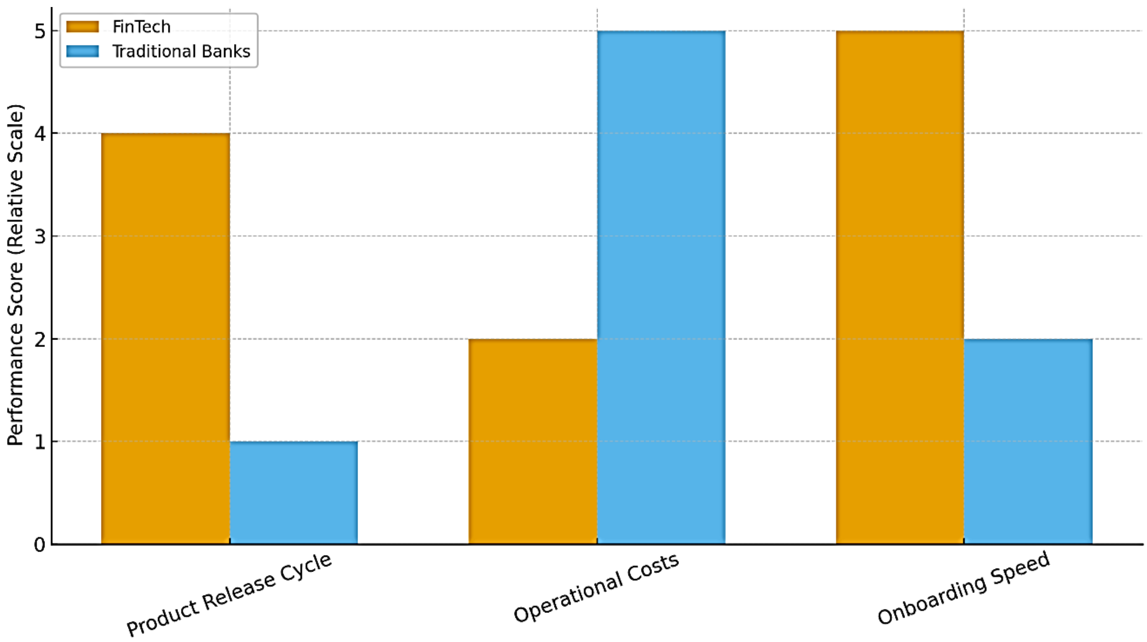
A major theme in the literature is the widening talent gap between traditional banks and FinTech firms. Banks often struggle to attract specialists in AI, cybersecurity, advanced analytics, and digital product design, largely due to their slower structures and conservative work cultures. The MDPI (2024) findings confirm a substantial global shortage of digital talent in the banking sector, severely constraining banks' innovation capacity.

In response, many banks have adopted re-skilling and up-skilling programmes, external hiring, partnerships with technology firms, and collaborations with universities. These strategies aim to rapidly fill capability gaps and build internal digital competencies. However, the effectiveness of such strategies varies widely, depending on leadership support and organisational culture.

Processes, Agility, and Product Release Cycles

A clear difference across studies is the contrast in agility between banks and FinTechs. Banks operate under complex regulatory requirements, legacy IT systems, and hierarchical decision-making structures—all of which significantly slow product development cycles. FinTechs, by contrast, use modular architectures and agile frameworks, enabling them to release updates in weeks rather than months.

Industry reports illustrate that while some banks have adopted agile methodologies, their overall release cycles remain slower due to approvals, compliance checks, and fragmented data systems. These structural and behavioural constraints limit experimentation and hinder quick responses to market changes. *(Figure 1 may be referenced here to visually reinforce these contrasts.)*



Governance and Structural Design

Findings indicate that governance structures play a central role in enabling adaptability. Traditional siloed organisational models restrict innovation by isolating teams and prolonging decision-making processes. To counter these limitations, several leading banks have established digital hubs, innovation labs, and cross-functional squads that integrate technology, strategy, risk, and product teams.

Evidence from ING and DBS shows that such structural redesigns improve coordination, reduce time-to-market, and enable more cohesive digital strategies. Governance models that promote transparency, decentralised decision-making, and collaboration significantly enhance banks' ability to respond to FinTech disruption. Collectively, these findings highlight that adaptive structures are essential for overcoming legacy constraints and achieving digital transformation.

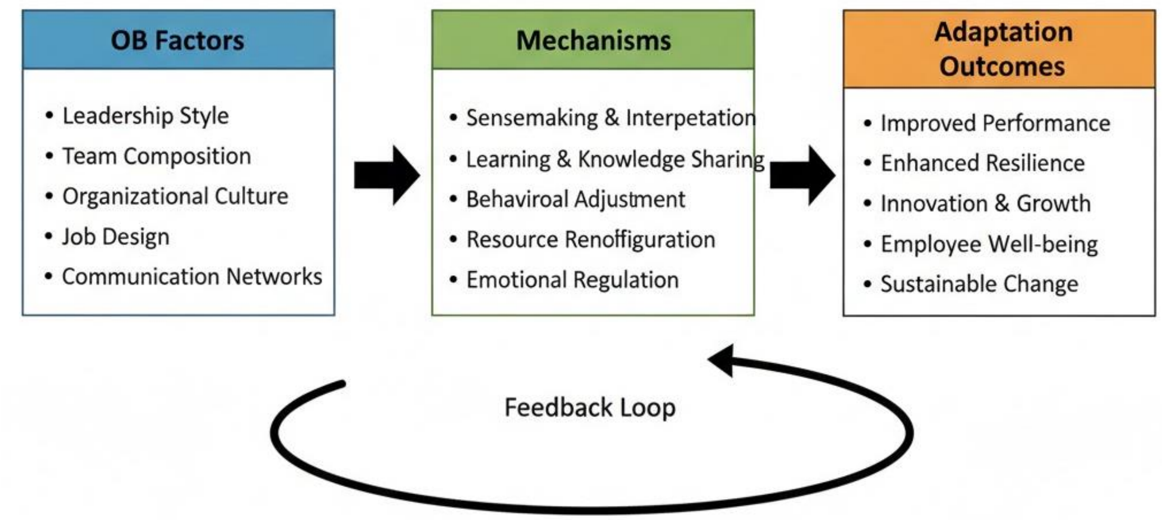


Figure 2. Conceptual Diagram Illustrating the Relationship between Organizational Behavior (OB) Factors, Adaption Mechanisms, and Adaptation Outcomes, highlighting the Feedback Loop for continuous learning and adjustment.

DISCUSSION

The discussion highlights how the observed patterns extend theoretical understanding of organizational behaviour while offering practical implications for banks and policymakers. The findings point to the centrality of leadership orientation, agile structures, and learning-driven mechanisms in shaping how financial institutions adapt to technological disruptions. Together, these insights demonstrate that successful adaptation is neither incidental nor solely technology-driven; rather, it is rooted in behavioural, cultural, and structural attributes that enable organizations to interpret disruptions and convert them into strategic opportunities.

Linking Findings to Theory: The leadership patterns observed align closely with transformational leadership theory, particularly its emphasis on articulating a compelling vision, fostering intrinsic motivation, and encouraging experimentation. Leaders who champion digital transformation appear to function as change agents, shaping organizational meaning systems and reducing resistance to technological shifts. Similarly, the interplay of structural flexibility, rapid decision-making, and continuous learning reflects the logic of dynamic capabilities theory, wherein sensing, seizing, and reconfiguring capabilities enable organizations to remain adaptive in fast-changing environments. Mechanisms such as cross-functional collaboration and capability enhancement reinforce this theoretical linkage by providing internal pathways through which dynamic capabilities manifest.

Implications for Banks: The findings offer several actionable insights for banking institutions navigating digital upheavals. First, a clear top-down digital vision is essential for creating alignment across hierarchical layers and signalling long-term commitment to technological renewal. Second, cultural change programmes—especially those emphasising psychological safety, innovation norms, and accountability—support behavioural shifts necessary for adopting new digital routines. Third, agile governance structures, including shorter decision cycles, empowered teams, and flexible resource allocation, improve responsiveness to market and regulatory developments. Finally, talent strategies grounded in continuous upskilling, lateral mobility, and digital competencies strengthen organizational capacity for adaptation. Evidence from recent industry analyses shows that banks implementing these measures experience faster transformation and stronger resilience.

Policy Implications: The insights also carry important implications for financial regulators. Mechanisms such as regulatory sandboxing play a crucial role in enabling banks to experiment with digital solutions under controlled conditions, thereby reducing innovation-related risks. Open banking frameworks encourage data-sharing ecosystems that enhance competition while expanding the scope for customer-centric innovation. Digital ID systems—now widely recommended by international bodies—support secure authentication and streamline digital service delivery, especially in emerging markets. Findings from the Bank for International Settlements (BIS) underscore that countries with coherent digital regulatory architectures observe higher levels of innovation absorption and lower compliance friction, reinforcing the value of policy-enabled adaptability.

Comparison Across Regions: A cross-regional comparison drawing on BEPS III and related datasets reveals notable global patterns. European banks tend to exhibit structured, policy-driven digital adaptation, benefiting from harmonised regulatory standards such as PSD2. Asian institutions, especially in East and Southeast Asia, demonstrate rapid innovation cycles supported by strong state-led digital ecosystems and high consumer readiness. African banks, while operating in more resource-constrained environments, show distinctive strengths in mobile-first strategies and leapfrogging innovations that address financial inclusion gaps. Across regions, the core differentiator is not technology alone but the interaction between organizational behaviour factors, regulatory environments, and market maturity, resulting in diverse yet convergent pathways toward digital transformation.

Conclusion

The analysis reaffirms that organisational behaviour plays a decisive role in determining how effectively banks adapt to rapid FinTech-driven disruption. Leadership orientation, cultural flexibility, talent capabilities, and structural agility operate as core behavioural determinants that shape how institutions interpret technological shifts and convert them into strategic responses. These behavioural dimensions influence not only the speed of adaptation but also its depth, sustainability, and alignment with long-term organisational goals.

The findings underscore that technology alone is insufficient for meaningful transformation. Without a supportive culture, clear vision, empowered teams, and collaborative structures, even advanced digital tools fail to generate impact. Successful adaptation therefore depends on an integrated transformation of attitudes, routines, power structures, and learning processes. Banks that cultivate experimentation, reduce risk aversion, and encourage cross-functional collaboration demonstrate a far stronger capacity to innovate than those that rely solely on technological upgrades.

The study also highlights promising directions for future research that can deepen understanding of these behavioural processes. Interviews with bank executives and senior managers would provide richer insight into how strategic decisions are made, how cultural barriers are negotiated, and how leadership narratives influence transformation outcomes. Comparative case studies across regions or bank types could further illuminate why similar technologies yield different results in varying organisational contexts. Such qualitative extensions would contribute to a more granular and practice-oriented understanding of how organisational behaviour shapes adaptation trajectories in the financial sector.

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