Digital Transformation Challenges: Cultural and Technological Barriers in Financial Institutions

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Abstract

Background: This study examines how deficiencies in digital transformation processes affect the performance of financial institutions, with particular focus on strategic clarity, leadership commitment, employee engagement, legacy IT systems, and regulatory constraints. **Objectives**: The research explores Icelandic financial executives' experiences and perceptions of the key barriers encountered during digital transformation initiatives, with the goal of identifying critical internal and contextual factors that influence success or failure. **Methods/Approach:** A qualitative, phenomenological methodology was employed, involving in-depth, semi-structured interviews with nine senior executives from various financial institutions in Iceland. Thematic analysis identified strategic, technological, and cultural obstacles. **Results:** The findings reveal that traditional enablers, such as clear strategic direction, strong leadership, and an engaged organizational culture, are essential, but their effectiveness is significantly shaped by external contingencies such as regulatory adaptability and legacy IT limitations. A hybrid transformation framework is proposed, integrating internal enablers with institutional constraints. **Conclusions:** The study contributes to digital transformation theory by extending existing models to account for systemic and environmental influences. Practically, it provides actionable insights for financial institutions, emphasizing legacy system modernization, regulatory flexibility, and continuous learning as key transformation enablers. **Research limitations/implications:** This study is limited by its geographic focus on Iceland and reliance on executive perspectives. However, the adapted framework offers a transferable model for other small and regulated financial markets undergoing digital transformation.

Keywords: digital transformation; change management; strategic planning; financial institutions; managerial involvement

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Introduction

The financial industry worldwide is undergoing profound changes driven by rapid technological advancements and shifting customer expectations (Brynjolfsson & McAfee, 2016; Cuesta et al., 2015). Digital transformation has become a strategic imperative, enabling institutions to maintain competitive advantage, improve operational efficiency, ensure security, and enhance customer experience (Ayuandiani et al., 2023; Bellens et al., 2023; Fitzgerald et al., 2014; Westerman et al., 2014). While digital transformation promises substantial benefits, the path to successful implementation is fraught with challenges and potential setbacks. Previous research indicates that many digital transformation initiatives fail to achieve their intended outcomes, often because of organizational, technical, and human factors (Almeida et al., 2020; Kotter, 1995).

In Iceland, financial institutions are similarly confronting pressures to digitally evolve to stay relevant and competitive. However, the impact of deficiencies in the digital transformation processes within these institutions remains understudied. A deeper understanding of these deficiencies and their implications is crucial to navigating digital transformation successfully and sustaining competitive advantage (Al-Moaid & Almarhdi, 2024; Vial, 2019). This study addresses this gap by exploring the experiences and perceptions of senior managers in Icelandic financial institutions regarding the barriers encountered during digital transformations.

This research utilizes a qualitative approach, conducting in-depth interviews to gain nuanced insights into the strategic, technical, and cultural obstacles faced by financial institutions. The findings provide practical implications and recommendations for organizational leaders and strategists to better anticipate and mitigate common deficiencies. By identifying critical success factors and common pitfalls, this study aims to contribute significantly to the broader discourse on digital transformation management, particularly within the financial sector (Foutty, 2021; Rakovic et al., 2024).

This paper begins by reviewing the existing literature on digital transformation and change management. While existing literature extensively discusses digital transformation processes and their general challenges, this study addresses an understudied aspect by examining the impacts of deficiencies in digital transformation within Icelandic financial institutions. By highlighting context-specific barriers, such as cultural resistance, leadership involvement, and strategic clarity within the unique regulatory and technological environment of Iceland (Central Bank of Iceland, n.d.; Lög um fjármálafyrirtæki, 2002), the paper provides novel insights that deepen the understanding of digital transformation dynamics in smaller financial markets.

Consequently, this research offers valuable new perspectives, helping both scholars and practitioners anticipate and address similar issues in comparable contexts (Hensellek, 2020). It then outlines the research methodology and presents the key findings derived from the interviews. Finally, the paper discusses the theoretical and practical implications, highlights the study's limitations, and suggests directions for future research. This study, therefore, seeks to clearly delineate the specific impacts of deficiencies in digital transformation on financial institutions' performance, providing actionable insights for both scholars and practitioners.

Literature Review

Principles of Digital Transformation

Digital transformation represents a fundamental, strategic shift in how organizations use digital technologies to enhance business performance, create customer value, and sustain competitive advantage. Successful transformation initiatives rest on guiding principles that help firms navigate complexity, manage risks, and achieve sustainable outcomes (Deloitte, n.d.; Vial, 2019). A central factor is a clearly articulated digital strategy aligned with organizational objectives, specifying priorities, expected outcomes, and implementation mechanisms. Organizations that communicate and embed such a unified strategic vision across all levels typically achieve more cohesive and enduring transformations (Bellens et al., 2023). Equally critical is active, visible, and committed leadership that not only champions the digital vision but also mobilizes resources and cultivates a culture of innovation and adaptability. By modeling desired behaviors, communicating transparently, and proactively addressing resistance, leaders play a decisive role in ensuring digital transformation efforts generate durable, measurable value (Al-Moaid & Almarhdi, 2024; Hensellek, 2020).

Customer expectations are continuously evolving, and placing customer experience at the center of digital transformation strategies helps ensure new initiatives generate meaningful, measurable value. Organizations that prioritize customer insights and feedback are more likely to deliver services that enhance satisfaction, foster loyalty, and strengthen long-term engagement (Agustiawan, 2024; Verhoef et al., 2021). Organizational culture, however, can either enable or constrain transformation efforts. Cultivating a flexible, learning-oriented, and risk-tolerant culture supports rapid adaptation to technological change, while successful cases often require profound cultural shifts, including continuous innovation, openness to experimentation, and proactive learning (Al-Moaid & Almarhdi, 2024; Ayuandiani et al., 2023). Research on banking transparency examines its relationship with customer loyalty alongside trust and satisfaction (Tiwari, 2022).

Equally essential is the seamless integration of new digital technologies with existing legacy systems to preserve operational continuity and efficiency. Effective initiatives address potential barriers early, deploying robust solutions that minimize disruption and strengthen overall system reliability and performance (Almeida et al., 2020; Ayuandiani et al., 2023). Leveraging data analytics further enhances transformation effectiveness by informing both strategic and operational decisions. Comprehensive governance frameworks and analytical capabilities enable organizations to derive actionable insights, measure outcomes with precision, and implement evidence-based adjustments throughout the transformation journey (Deloitte, n.d.).

Active engagement and empowerment of employees at all levels is also critical. Staff need clear communication about upcoming changes, targeted training to build digital competencies, and meaningful participation in decision-making. Organizations that manage employee engagement effectively achieve higher acceptance and stronger adoption of digital solutions (Ayuandiani et al., 2023; Li et al., 2024). Digital transformation further benefits from an agile approach characterized by iterative execution, adaptability, and continuous improvement. Breaking large-scale initiatives into smaller, manageable projects enables rapid testing, faster learning, and iterative refinement, thereby reducing risks, accelerating value realization, and fostering organizational agility (Ayuandiani et al., 2023; Foutty, 2021).

Finally, regulatory landscapes are dynamic and exert a significant influence on digital strategies, particularly in highly regulated industries such as finance.

Organizations must therefore integrate regulatory considerations proactively into their transformation plans to ensure compliance, adapt to regulatory change, and enhance strategic flexibility, thereby minimizing the risks of non-compliance (Central Bank of Iceland, n.d.). By adhering to these fundamental principles, organizations are better positioned to address the multidimensional challenges of digital transformation systematically and to secure sustainable success, competitive differentiation, and long-term value creation.

Research Methodology

This study adopted a qualitative research design, employing a phenomenological approach to investigate the impacts of challenges and shortcomings encountered during digital transformations within Icelandic financial institutions. A phenomenological methodology was specifically selected due to its strength in deeply exploring and interpreting participants' lived experiences, perceptions, and subjective meanings associated with complex organizational phenomena such as digital transformation processes (Creswell, 2009; Creswell & Poth, 2018).

Purposive sampling was used to select participants with extensive knowledge and direct involvement in digital transformation initiatives (Campbell et al., 2020). Nine senior executives from diverse Icelandic financial institutions participated, ensuring comprehensive coverage of varying institutional perspectives and experiences. Participants were selected based on their executive-level positions and their substantial roles in strategic decision-making or operational oversight related to digital initiatives. To maintain confidentiality, participants were identified with coded references (Interviewees A–I) throughout data analysis and the presentation of the results.

Data were collected through semi-structured, in-depth interviews conducted between January and November 2024. Each interview lasted approximately 60 to 90 minutes and was conducted in private settings, either face-to-face or through secure video conferencing, to ensure privacy and enhance openness (Brinkmann & Kvale, 2015). Interviews followed a carefully prepared guide featuring open-ended questions designed to elicit comprehensive narratives and reflections on participants' experiences with digital transformation efforts. Interview questions focused on strategic planning, implementation challenges, employee and managerial roles, impacts on organizational culture, customer service experiences, and outcomes related to financial performance and regulatory compliance. All interviews were digitally recorded with explicit consent from the participants and subsequently transcribed verbatim, providing a precise textual representation of each dialogue (DiCicco-Bloom & Crabtree, 2006). After transcription, all digital recordings were securely deleted to safeguard participants' privacy and comply with ethical research standards.

Thematic analysis, a widely recognized qualitative analysis method, was rigorously employed to systematically identify, interpret, and present emergent patterns and themes from the interview data (Braun & Clarke, 2006; Fereday & Muir-Cochrane, 2006). Initially, transcripts were thoroughly reviewed multiple times to achieve data immersion, enabling the researcher to gain a holistic understanding of the narratives provided.

The analysis commenced with open coding, identifying recurring words, concepts, and phrases directly tied to the research question and the broader conceptual framework (Naeem et al., 2023). These codes were then grouped into preliminary thematic categories, reviewed, and refined iteratively. Through this iterative approach, key themes emerged organically from the data, capturing nuanced

insights into the executives' experiences, perceptions, and assessments of digital transformation processes within their organizations. Special attention was paid to maintaining the authenticity of participant voices by using extensive direct quotations. The themes were critically evaluated for coherence, depth, and representativeness, ensuring they accurately reflected participants' experiences while capturing the breadth of insights across different organizational contexts.

To enhance the study's validity and trustworthiness, several qualitative rigor strategies were employed, following standards outlined by Lincoln and Guba (1985). Triangulation was achieved through cross-checking participant accounts against existing theoretical frameworks and previously published literature on digital transformation and organizational change. Furthermore, an external researcher independently reviewed the findings to confirm the reliability of thematic interpretations and reduce potential bias (Leung, 2015). The researcher continually practiced positional reflexivity throughout data collection and analysis, transparently acknowledging and addressing potential biases and influences (Finlay, 2009). The consistent application of reflective practices ensured that interpretations remained firmly grounded in the empirical data, preserving objectivity and accuracy.

Ethical standards were rigorously observed throughout the research process. Participants were provided with clear written information regarding the study's objectives, voluntary participation, and the option to withdraw at any point without consequence (Hammersley & Traianou, 2012). Anonymity and confidentiality were strictly maintained, with all identifying information meticulously removed from transcripts and any subsequent reporting of findings. The study protocol received ethical approval from the relevant committee at the University of Iceland's Faculty of Business Administration, ensuring adherence to all institutional and international guidelines for ethical research practice.

Although comprehensive, this qualitative approach has limitations inherent in the research design. Reliance on senior executives' perspectives may introduce biases reflecting their hierarchical viewpoints. Furthermore, the qualitative and interpretative nature of phenomenological research restricts generalizability beyond the studied context (Smith & Osborn, 2004). Despite these limitations, the methodological rigor and depth of analysis significantly contribute to understanding the complexities and practical realities of digital transformations within financial institutions, offering valuable insights transferable to similar organizational contexts and research frameworks.

Results

This section presents the findings from a qualitative analysis of nine in-depth interviews conducted with senior executives from Icelandic financial institutions. The analysis highlights several significant factors resulting from shortcomings in digital transformation processes, including impacts on organizational performance, leadership, internal culture, customer service, and overall financial outcomes.

One key finding is the central importance of clear strategic direction in digital transformations. Executives consistently described successful transformations as strategically coherent, closely linked to the organizational vision, and effectively communicated throughout the institution (Eggers & Bellman, 2015; Westerman et al., 2014). Conversely, projects lacking clear strategic guidance resulted in confusion, inefficiencies, and ultimately financial setbacks. Several participants emphasized the critical need for well-articulated strategic visions to ensure staff understanding and engagement. As one executive articulated, "Our biggest failure was not the technology itself; it was that our vision was unclear to our employees. Without clarity,

staff couldn't engage effectively, and the project quickly lost momentum" (Interviewee C).

Employee resistance emerged prominently as another challenge to successful transformation. Resistance typically arose from unclear communication, fears related to job security, and insufficient employee involvement (Hiatt, 2006; Kotter, 2012). Participants reporting successful outcomes emphasized the proactive approach of clear communication, ongoing training, and employee engagement as essential strategies to overcome resistance. As summarized by one participant, "When we overlooked the human side – employee involvement, culture, and openness to feedback – our projects stalled or failed. Conversely, when we actively included employees, the transformation became significantly more effective" (Interviewee A). The analysis further identified strong leadership commitment as a decisive factor influencing digital transformation outcomes. Projects benefiting from consistent, visible support by senior leaders achieved increased morale, higher employee adoption rates, and stronger organizational alignment (Hensellek, 2020; Northouse, 2016). In contrast, limited leadership engagement often led to project stagnation, lower morale, and ineffective outcomes. Highlighting this point, one executive stated, "The single most influential factor was management commitment. Transformations supported consistently by our leadership teams had drastically higher success rates than those lacking active management engagement" (Interviewee F).

Another substantial obstacle highlighted was the presence of outdated legacy IT systems. Institutions struggling to integrate new digital solutions into legacy infrastructure experienced significant delays, increased costs, and limited improvements in service quality (Almeida et al., 2020). Conversely, organizations strategically addressing these legacy constraints through targeted technological investments reported marked gains in operational efficiency, stronger service integration, and competitive advantages. One executive summarized these difficulties clearly: "Our legacy systems were a constant source of frustration, causing technical integration issues that severely delayed our progress and increased costs dramatically" (Interviewee E).

Customer experience also emerged as a critical dimension affected by digital transformation initiatives. Institutions adopting customer-centric strategies – focusing on intuitive digital interfaces, robust security measures, and streamlined service integration – observed increased customer satisfaction and higher levels of engagement (Agustiawan, 2024; Ayuandiani et al., 2023; Verhoef et al., 2021). Conversely, initiatives that neglected user experience led to poor adoption rates and customer dissatisfaction. One executive explained, "Initially, we focused too much on internal efficiencies and neglected the customer experience. That led to limited user adoption. Once we realigned our focus to customer usability, we immediately saw significant improvements" (Interviewee B).

The financial outcomes associated with digital transformations varied significantly across organizations. Successful initiatives demonstrated measurable financial benefits such as increased revenue, reduced operational expenses, and improved market competitiveness (Westerman et al., 2014). However, in cases where projects faced significant barriers in planning, technology, or cultural acceptance, the anticipated financial returns often failed to materialize, generating skepticism regarding continued investment. According to one interviewee, "Where the transformation was strategically well-integrated, we saw clear financial benefits. However, where we encountered extensive cultural or technical barriers, the anticipated ROI (Return on Investment) was rarely achieved" (Interviewee G).

Participants additionally identified external factors such as increased competition from fintech companies and regulatory complexities – including the General Data Protection Regulation (GDPR) and cybersecurity requirements – as critical drivers and challenges of digital transformation (Central Bank of Iceland, n.d.). Regulatory mandates, while essential, often imposed significant constraints due to their complexity and evolving nature. Executives emphasized the importance of flexibility in digital infrastructures to effectively manage regulatory changes. One participant remarked, "Regulatory changes often became a moving target that slowed our projects down. We learned that flexible, adaptable digital strategies were crucial to maintaining compliance without costly overhauls" (Interviewee D).

Finally, participants highlighted the need to view digital transformation as an ongoing organizational learning process rather than a finite project (Foutty, 2021; Rakovic et al., 2024). Organizations that embraced adaptive strategies, characterized by ongoing feedback loops, iterative improvements, and continuous staff education, reported sustained success and resilience. Conversely, rigid, short-term-oriented transformations frequently failed to integrate into broader organizational practice. As articulated by one participant, "Continuous learning and adaptability defined our most successful digital projects. We learned to view transformation as an ongoing journey, not just a destination, allowing us to sustain gains and adapt quickly to new challenges" (Interviewee H).

Discussion

This section presents the findings from a qualitative analysis of nine in-depth interviews conducted with senior executives from Icelandic financial institutions. The analysis highlights several significant factors resulting from shortcomings in digital transformation processes, including impacts on organizational performance, leadership, internal culture, customer service, and overall financial outcomes.

One key finding is the central importance of clear strategic direction in digital transformations. Executives consistently described successful transformations as strategically coherent, closely linked to the organizational vision, and effectively communicated throughout the institution (Eggers & Bellman, 2015; Westerman et al., 2014). Conversely, projects without clear strategic guidance led to confusion, inefficiencies, and ultimately financial setbacks. Several participants emphasized the critical need for well-articulated strategic visions to ensure staff understanding and engagement. One executive articulated the following:

> *Our biggest failure was not the technology itself; our vision was unclear to our employees. Without clarity, staff couldn't engage effectively, and the project quickly lost momentum. (Interviewee C)*

Employee resistance emerged prominently as another challenge. Resistance typically arose from unclear communication, fears related to job security, and insufficient employee involvement (Hiatt, 2006; Kotter, 2012). Participants who reported successful outcomes emphasized a proactive approach of clear communication, ongoing training, and employee engagement. One participant summarized that

> *When we overlooked the human side – employee involvement, culture, and openness to feedback – our projects stalled or failed. Conversely, when we actively included employees, the transformation became significantly more effective. (Interviewee A)*

Leadership commitment was also found to be decisive. Projects supported by consistent, visible leadership engagement reported higher employee adoption,

stronger alignment, and better outcomes (Hensellek, 2020; Northouse, 2016). Without this support, morale and progress suffered:

> *The single most influential factor was management commitment. Transformations supported consistently by our leadership teams had drastically higher success rates than those lacking active management engagement. (Interviewee F)*

Another major barrier was outdated legacy IT systems. These systems created technical delays, increased costs, and limited improvements (Almeida et al., 2020). Organizations that invested early in modernizing legacy infrastructure experienced smoother transitions and stronger performance.

> *Our legacy systems were a constant source of frustration, causing technical integration issues that severely delayed our progress and dramatically increased costs. (Interviewee E)*

Customer experience also emerged as a critical dimension. Financial institutions that adopted customer-centric approaches – such as intuitive interfaces, strong security, and seamless service integration – reported significant gains (Verhoef et al., 2021).

> *Initially, we focused too much on internal efficiencies and neglected the customer experience. That led to limited user adoption. Once we realigned our focus to customer usability, we immediately saw significant improvements. (Interviewee B)*

The financial outcomes of transformation varied. In well-aligned projects, participants reported increased revenue, reduced operational costs, and competitive advantages. In contrast, poorly managed initiatives often failed to generate ROI.

> *Where the transformation was strategically well-integrated, we saw clear financial benefits. However, when we encountered significant cultural or technical barriers, we rarely achieved the anticipated ROI. (Interviewee G)*

Executives also emphasized the role of external factors such as regulatory pressure, fintech competition, and GDPR compliance (Central Bank of Iceland, n.d.). Projects that failed to account for regulatory shifts experienced costly delays.

> *Regulatory changes often became a moving target that slowed our projects down. We learned that flexible, adaptable digital strategies were crucial to maintaining compliance without costly overhauls. (Interviewee D)*

Finally, successful institutions adopted a long-term mindset, emphasizing continuous learning and adaptability (Foutty, 2021; Rakovic et al., 2024).

> *Continuous learning and adaptability defined our most successful digital projects. We learned to view transformation as an ongoing journey, not just a destination. (Interviewee H)*

Theoretical and Practical Implications

This study responds to ongoing calls in the literature for more nuanced, qualitative investigations of digital transformation in small and under-researched contexts (Verhoef et al., 2021; Vial, 2019). The Icelandic financial sector – marked by its small market scale, centralized structure, and stringent regulatory environment – offers an exemplary case for testing the applicability and boundaries of dominant transformation theories.

Our findings contribute a contextual extension to existing models of digital transformation, particularly those rooted in change management (Kotter, 1995, 2012), strategic alignment (Westerman et al., 2014), and organizational culture (Schein,

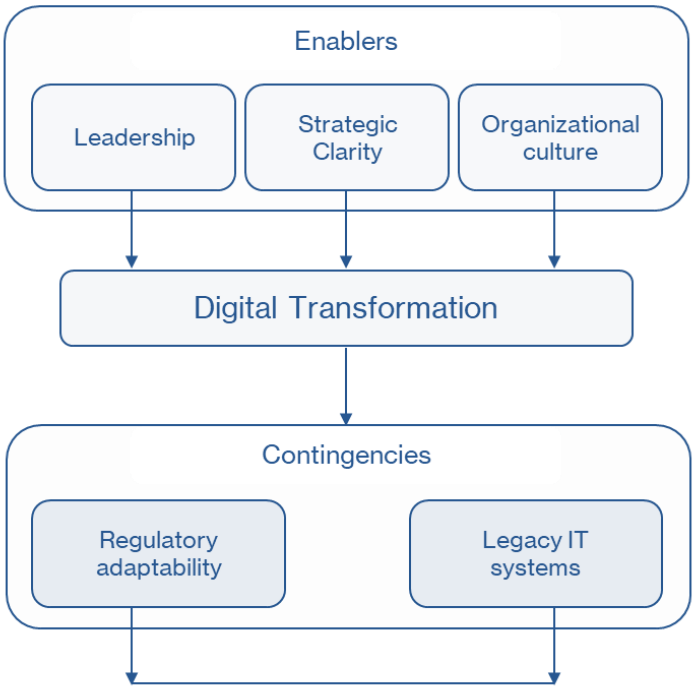
2010). Traditional models emphasize internal enablers – such as leadership commitment, strategic clarity, and organizational culture – as primary drivers of success. However, this study identifies two additional elements that are essential for transformation in regulated, small-market environments:

1. The critical importance of regulatory adaptability
2. The constraints imposed by legacy IT systems

These contingencies directly influence how traditional enablers operate in practice. Moreover, they shape the viability of transformation strategies under institutional constraints, including regulatory mandates, compliance culture, and structural rigidity.

To illustrate this extended conceptualization, Figure 1 presents an adapted digital transformation framework for small, regulated markets. This hybrid model positions internal enablers within a bounded institutional context and channels them through a mediating framework influenced by technological and regulatory contingencies. The outcome depends not only on leadership or strategy but also on the system-wide interaction between internal drivers and external limitations.

Figure 1
Conceptual Framework for Digital Transformation in Small, Regulated Markets.



Source: Authors' work

From a practical perspective, the model offers actionable insights for leaders operating in tightly regulated sectors. It highlights that organizational readiness alone is not sufficient; transformation strategies must also anticipate infrastructural friction and regulatory complexity. Practitioners are encouraged to

- Invest early in addressing legacy systems,
- Foster open regulatory dialogue and flexibility, and
- View transformation as a dynamic, adaptive process rather than a linear project.

Ultimately, this framework shifts the strategic mindset from generic best practices to context-aware transformation design, better suited for financial institutions operating in structurally and institutionally constrained markets.

Contrast Analysis

The findings of this study resonate with but also diverge from results in comparable small-market contexts. In Norway, research on incumbent service firms such as DNB and Telenor emphasizes *legacy system removal* as a critical dynamic capability for enabling digital transformation (Gooderham et al., 2023). This finding parallels our results, which identify outdated IT infrastructures as a major constraint. However, whereas Norwegian studies present legacy renewal as an opportunity to build new capabilities, our findings frame it primarily as a systemic barrier that requires mitigation.

Similar patterns are visible in Sweden. Studies of Swedish banks identify customer experience and regulatory change among the factors shaping digital transformation (Al-Chalabi & Bahram, 2018; Häggqvist, 2019). At the EU level, PSD2 has also been studied in relation to digital banking and open banking (Bosch Chen et al., 2023; Petrović, 2020). These studies provide context for the Icelandic executives' emphasis on customer experience and regulatory adaptation.

Estonia offers an example from a different sector. Kattel and Mergel (2019) examine the role of public institutions in Estonia's public-sector digital transformation. In the Icelandic banking interviews, executives described the regulatory environment as a factor shaping how their institutions planned and implemented digital initiatives.

A second contrast emerges when research emphasizes technical architecture rather than managerial and cultural factors. Research on open banking identifies application programming interfaces as a means for banks and third-party providers to collaborate on service innovation (Gozman et al., 2018). The EU's Digital Operational Resilience Act also addresses ICT third-party risk, including concentration risk and exit strategies (Regulation (EU) 2022/2554, 2022, arts. 28–29). Research on a European bank also links customer agility to the combination of ICT capabilities and organizational routines (Hallikainen et al., 2017). These perspectives differ from our findings by foregrounding technical redesign and infrastructure risk, whereas our study positions them within a broader institutional and cultural context.

Taken together, these contrasts suggest that digital transformation in small, regulated markets, such as Iceland, cannot be fully understood through managerial-cultural models alone or through purely technical frameworks. Success depends on the interaction between internal enablers (e.g., strategic clarity, leadership, and culture) and external constraints (i.e., legacy IT and regulatory adaptation). Our adapted framework, therefore, bridges these perspectives, showing how socio-organizational drivers and technical infrastructures jointly shape transformation outcomes in small financial markets.

Concluding Remarks

This study explored the organizational, technological, and institutional barriers that challenge digital transformation within Icelandic financial institutions. Through in-depth qualitative interviews with senior executives, the research revealed a set of interdependent factors that determine transformation success or failure – particularly in small, highly regulated markets.

Key findings highlight that traditional enabler such as strategic clarity, visible leadership commitment, and organizational culture remain essential. However, these enablers are conditioned by contextual constraints – notably, legacy IT infrastructure and the need for regulatory adaptability. Institutions that proactively addressed these

contingencies were more likely to achieve successful outcomes, whereas those that did not faced implementation delays, cost overruns, and cultural resistance.

The research, thus, contributes a contextual extension to dominant transformation frameworks. As illustrated in the proposed adapted digital transformation framework (Figure 1), successful transformation in small, regulated environments requires more than internal alignment – it depends on the organization's ability to navigate structural, technological, and regulatory boundaries through a hybrid and adaptive approach.

From a practical perspective, the findings underscore the importance of:

- Early engagement with regulatory bodies to foster flexibility
- Modernizing legacy systems to reduce friction and integration barriers
- Embedding transformation as a continuous learning process across the organization

The study extends the discussion of change management, strategic alignment, and organizational culture by examining how internal capabilities and external regulatory constraints interact during digital transformation. The resulting framework can help guide analysis of digital transformation in other small, regulated financial markets.

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