ATLASSIAN
Jira Align

Agile financial planning

How to strike a balance between assurance and agility

Transitioning from a project to a product orientation can increase your company's agility and your odds of winning new customers. But unless you restructure your funding process, you will inevitably discover that agile practices and traditional cost accounting are not compatible.

Agile financial planning eliminates detailed project-level planning, slow funding processes, and variance analyses. It supports the concept of continuous development, and adopts rolling budgets that let product teams pivot quickly and adapt in a fast-moving digital world.

Top four reasons to move to agile financial planning

Flexibility

Avoid an unintentional effect of traditional financial planning, organizational rigidity. Agile financial planning allows for the uncertainty inherent in agile development, which promotes innovation without sacrificing accuracy.

Value delivery

Instead of complying with budget allocations that may be irrelevant months later, product teams make decisions based on changing priorities, market conditions, and customer needs. Team members are free to move to the most critical work without any impact on budgets.

Waste reduction

Because you won't be tracking project-level costs, you will reduce unnecessary overhead and bureaucracy in your planning cycles. Your teams won't spend time tracking hours or the number of resources allocated to projects.

Autonomy

The product and portfolio teams are empowered to work in service of the business objectives, and operate in a trust-driven work environment.

Traditional vs agile financial planning

In a traditional organization, business units present their plans to leadership annually. The IT project management office creates cost and time estimates and the executives prioritize based on existing capacity and business objectives. It is assumed that resources will be used near 100%, and will complete the projects 12 to 18 months later.

Agile financial planning funds long-standing product teams, not temporary projects. Portfolio and product teams decide what to build based on business priorities. Because the project is not the unit of work, resources don't have to be maximized at 100%. This way, employees are free to move to the most critical work swiftly, without escalations to management. Teams don't have to track how much time they spend on tasks. Such tracking is notoriously inaccurate anyway.

Traditional budgeting	Lean budgeting
Funds projects	Funds teams or products
Values planning accuracy	Makes room for uncertainty
Tracks project-level operating expenses	No project budgets or tracking of project-level operating expenses
Fixed budgets	Rolling budgets
Labor-intensive annual funding process	Continuous (quarterly, bi-monthly or monthly) portfolio reviews
Resources maxed near 100%	80% resource utilization
People can't move between projects without escalation to management. Projects delayed because of skill shortages.	Teams are composed of employees with the skills that match their tasks. Whenever work priorities change, employees can self-organize and move to the most critical work.

> **Traditional organizations fund projects. Lean organizations fund teams.**
>
> SCOTT BLACKER, HEAD OF SOLUTIONS ENGINEERING, ATLASSIAN

The financially agile organization

For agility to take hold in a product organization, the funding and operating models have to work in lockstep. For this to happen, the CIO and CFO have to agree about delivering product iteratively. Securing the CFO's commitment is key for agile financial planning and agile development to succeed.

Leadership

CIO and visionary leaders of agile centers of excellence make recommendations about agile funding to the CFO. IT leadership distributes and tracks funding.

Portfolio

Portfolio managers evangelize the operational and financial principles of agility to the finance leaders, make investment decisions, and reallocate funds between programs.

Program

Program managers ensure the work is tied to the right initiatives, and track timelines and product features.

Team

Because agile financial planning funds long-standing products, teams stay together for a long time, and are empowered to make product decisions.

Individual

Team members aren't held to time sheets. Their focus is value-creating work, which brings a sense of accomplishment and empowerment.

Customer

The customers' needs are gathered and analyzed, and drive R&D, product development, and funding.

Top considerations when moving to agile financial planning

Moving to a product orientation is an important change that impacts the entire organization. Below are the top things to consider.

1 This is not an overnight project

Don't try to do too much too quickly. An evolution is often a better approach than a revolution when it comes to financial planning. Test the waters by implementing agile financial planning for one product or program in conjunction with traditional reporting, and compare the results between them.

2 Change can not be done alone

A successful partnership between IT and finance and a clear set of expectations are keys to the success of agile financial planning.

3 Guardrails give better adaptability

Your portfolio investment guardrails will establish how much you want to invest in long-term, short-term, infrastructure and maintenance opportunities. Monitor and re-allocate your investments to stay within your plan.

> **74% of executives cite agile adoption as medium or high priority. But only 28% of them consider budgeting changes a high priority, and 37% cite budgeting practices as the most significant challenge to their software strategy.**

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