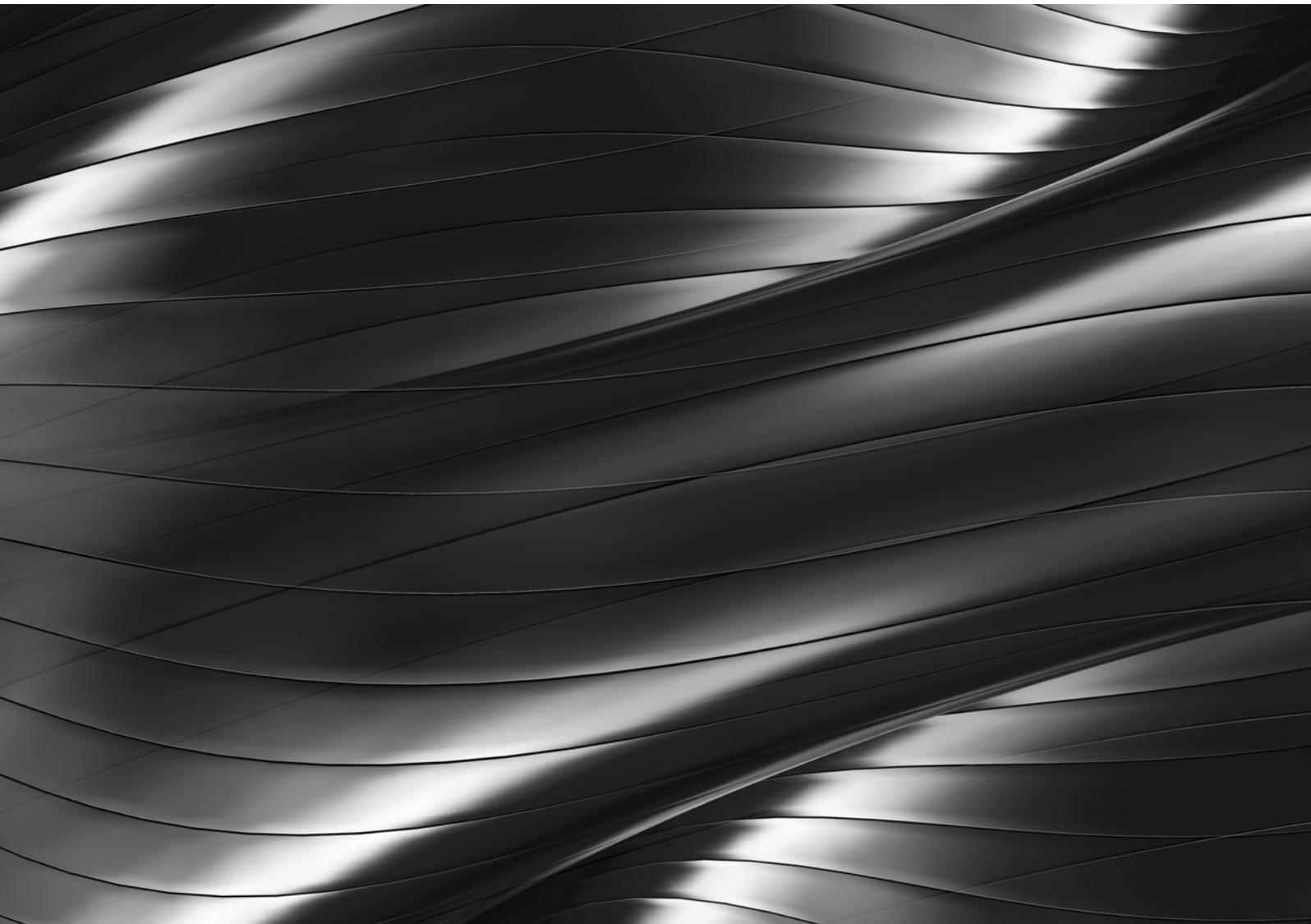


# CAPCO

**ENABLING AND ACCELERATING DIGITAL  
TRANSFORMATION THROUGH AGILE FINANCE**

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# THE JOURNEY SO FAR

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Finance transformation is a journey. In an era of persistent regulatory requirements, strategic business change and financial technology (fintech) advances financial services organizations (FSOs) face increasing pressure to be more digitally optimized. Embedding new ways of working that support strategic objectives, growth, and value creation is critical to navigate this continual wave of change. Agile is the most talked about approach to deliver effective transformation for a modern finance function.

Bringing people on the Agile journey, like the incremental delivery approach itself, also means continuous training, coaching and improved understanding of new methods to help crystalize the behaviors and outcomes of adopting Agile ways of working. It is a mindset which will truly reap the value when deployed successfully across a business. This mindset

requires explicit buy-in from the top-down in an organization, supported by understanding how to operate in practice and a commitment to learn and evolve from the traditional Waterfall ways of working.

The latest data from the [Scrum Alliance](#) shows that 'Board Focus' was the highest scoring among the Agile maturity measures, so we know it's in focus. This is also supported directly in finance practices as outlined in Capco's CFO of the Future [Journal](#). Where Agile maturity is deemed to be furthest behind is in adoption of Agile methods and having funding models (with the lowest scores at [44 percent](#)) that align to Agile delivery.

We will explore these below.

# WHAT WE KNOW

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A cross-functional finance team of skilled professionals can support business decision making in addition to a traditional accounting skillset in pursuit of a more Agile finance function.

With continued economic uncertainty and increasing regulatory and tax burdens on reporting institutions, it is becoming more crucial for CFOs to ensure operational resilience and adaptability as they steer the business forward.

Furthermore, no journey to having an Agile enterprise can possibly avoid having their finance function as part of it. Enterprise agility is dependent on a responsive and dynamic finance function that has a funding model and portfolio planning practices to suit.

An agile finance function is nimble and supports digital transition. By adapting and responding to the needs of the

organization, the finance function leans into becoming a strategic partner of the organization.

Success in traditional waterfall project delivery relies on developing a shared understanding, accurately documenting this, and testing the shared understanding has been delivered. Developing the shared understanding in face-to-face workshops and side of desk chats is notoriously difficult. Consider the challenge of developing a shared understanding when you

never meet face to face, your interaction is limited to what is shared on a screen or collaboration tool, the home-schooling in the next room is not going to plan and the delivery driver is at the door. This scenario will be all too familiar to those working from home during the COVID-19 pandemic. Unpredictable and changing circumstances don't suit waterfall delivery methods. Agile projects provide the opportunity to react to scenarios like we have experienced during the COVID-19 pandemic, if adopted by FSOs.

## WHY EVOLVE FINANCE WAYS OF WORKING?

The top-down message is clear, finance functions are focusing on Agile adoption and CFOs are embracing the opportunity to accelerate finance transformation initiatives and their strategic business objectives.

Finance agility can help to accelerate transformation as substantial change programs such as accounting standards IFRS9 – Financial Instruments, IFRS17 – Insurance Contracts, and IFRS16 – Leases continue to emerge in line with macro-economic developments. Change of this magnitude requires significant input and expertise to deploy successfully. Reactive responses to changes such as this, can no longer be the approach taken to mandatory driven change execution.

Proactive, empowered finance teams working optimally across multi-functional teams, and improved data utilization coupled with a forward-looking decision mindset helps the finance division provide insights and operational impacts in real-time.

Finance is a critical enabler of enterprise agility, and so the conceptual shift from current to a future state of business agility is the first step in the roadmap to a modern finance function.

Finance teams should consider where they sit in relation to the following hallmarks of modern ways of working:

### Current

- Traditional waterfall
- Whatever people/team its available
- Project specific business case
- False precision on costs to deliver
- IT led



### Future

- Agile "test-and-learn"
- Right people/team for the problem
- On-going product funding model
- Delegated decision-making
- Business led

# WHAT ARE THE BENEFITS TO PRODUCT DELIVERY/IMPROVEMENT?

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In Capco's CFO of the Future [Journal](#) we discuss the various means of cost-reduction which have impacted finance functions; these functions have traditionally been seen as non-income generating parts of the business. As the focus shifts to business outcomes and value-driven propositions, finance functions are uniquely placed to benefit from this, offering insights, predictive benefit modelling and empirical data to evidence successful delivery within Agile enterprises.

The ability to realize value and promote it to senior leadership through leaner integration and simplification of processes is a

fundamental benefit of an Agile finance function. This can be achieved through implementation of Agile ways of working, collaboration across the organization and by nurturing the skills of the workforce in pursuit of a modern finance function. Delivering quality products relies on an awareness of the changing pace of technology and that an Agile workforce must also be able to evolve and adapt in response.

Leveraging best practice and experience of modern delivery, Finance can deploy Agile principles and practices in pursuit of Enterprise agility by focusing on the following core areas.

**Treat it as a journey**

**Invest in Talent**

**Change working practices**

**Monitor Progress**

## 1. Treat it as a journey

Commitment to the Agile delivery model, evidenced more widely across operations departments of FSOs, outlines the evolution of how to become fully Agile. This has been an iterative process and one which sees a variety of levels of 'maturity' with respect to Agile delivery.

Finance can learn from the experiences of operations functions and accelerate their own journey to modern ways of working.

### Grassroots delivery

Agile adoption happens at a different pace for different teams. In practice, it is evident that a phased adoption approach works

well. Using the example of an FSO operations department Agile implementation, grass-roots projects can successfully start off by implementing what they are capable of, with limited hands-on support from a dedicated center of excellence.

By allowing the finance function to adopt some of the basic principles of Agile, based on existing knowledge, a substantial change can be more readily accepted within teams.

The idea is to create an evolution towards Agile delivery as opposed to a revolution. The key to success is gaining an understanding of where each part of the organization is on its Agile journey. While accepting that some teams can begin their

journey without the need for full proficiency, it is important to also consider more intensely supporting those teams who are most prepared to change their ways of working.

### **Allow failure but learn from experience**

Theoretical or classroom training can introduce concepts and principles and serve as a means of increasing awareness, however, successful adoption requires trial and error and the experience that comes with it. Having a partnership that can bring some of that experience to an organization has resulted in a more effective translation of theory into practice and has been central to the success seen within other areas of FSOs.

## **2. Investment in talent – the agile way**

Investing time to learn the Agile principals and how this can be applied within finance teams further supports the Agile journey. Shifting the culture and mindset and turning concepts into working practices provides the basis for both the evolution from waterfall to Agile as well as realizing the benefits to the organization that follow.

Working collaboratively and understanding the market and services of FSOs, helps the finance function to integrate into operational decision-making. These modern ways of working have been brought into sharp focus during the recent challenges of the 2020 global COVID-19 pandemic. In their [14th annual state of Agile report](#), digital.ai outline that 43 percent of respondents have increased their momentum for Agile adoption during the COVID-19 pandemic, while 55 percent of respondents expect their use of Agile to increase over the next 12-14 months.

### **Theory in practice**

Translating Agile principles into practical delivery is a challenge in any FSO. The benefits of hands-on experience from prior deliveries and the complexities and challenges seen within functions can be leveraged as finance teams progress on the Agile journey.

Learning from previous implementations (E.g., operations), and by anticipating the commonly observed challenges results in a more effective deployment of Agile ways of working in finance change programs.

Theory gets you so far. Utilizing a team of Agile professionals who bring their practical experience and insight can aid businesses to optimize their digital Finance goals, while embedding a culture that is Agile. Management support is also required. Knowing how to operate within the Agile team is one thing, being able to articulate this to others outside of the team is what gains support, buy-in and confidence across finance.

## **3. Change working practices**

Scrum is a leading framework for Agile implementation. It is important to consider the benefits of finance team resources in some of the roles within Scrum, including Scrum Master, Product Owner, Scrum team members and Agile coaches. In addition to these roles, it is crucial to understand team structures depending on the size, from individual squads or teams for smaller scale implementation to large Fleets or Tribes (Spotify Model) delivery Agile at scale.

FSOs can derive value from placing finance team resources with Agile experience in either the Scrum Master role, or as a Proxy Product Owner (the individual who decides what will deliver best value for their customers).

Scrum masters can help to remove impediments to business delivery. The benefit of this role to finance change implementation is the guidance and co-ordination they afford the business, while other finance team resources provide the technical understanding. This oversight helps to ensure Agile practices are followed correctly, communication flows effectively and coaching leaves a legacy of knowledge within the finance team.

Another step in achieving Agile maturity is when finance teams have autonomy to decide how they go about their work, without interference from those outside of the deliverable. The challenge for organizations delivering scaled Agile is maintaining standardization where it is appropriate and efficient to do so.

### **Value through experience**

Utilizing Agile professionals with recent and relevant experience in a variety of roles, aids in effective business delivery, while broadening a finance team's exposure to Agile practices.

It is evident that in the past, FSOs have deferred Agile delivery to predominantly technology teams due to their familiarity with Agile delivery methods.

Experience suggests that this can work, but it leads to solutions that are developed from a distinct perspective. Agile adoption continues to expand across departments, with the recognition that this diversity of thought leads to better products.

Having the end-users of a product involved in its development both enhances the opportunity to create something of real value and means that adoption is more straight forward.

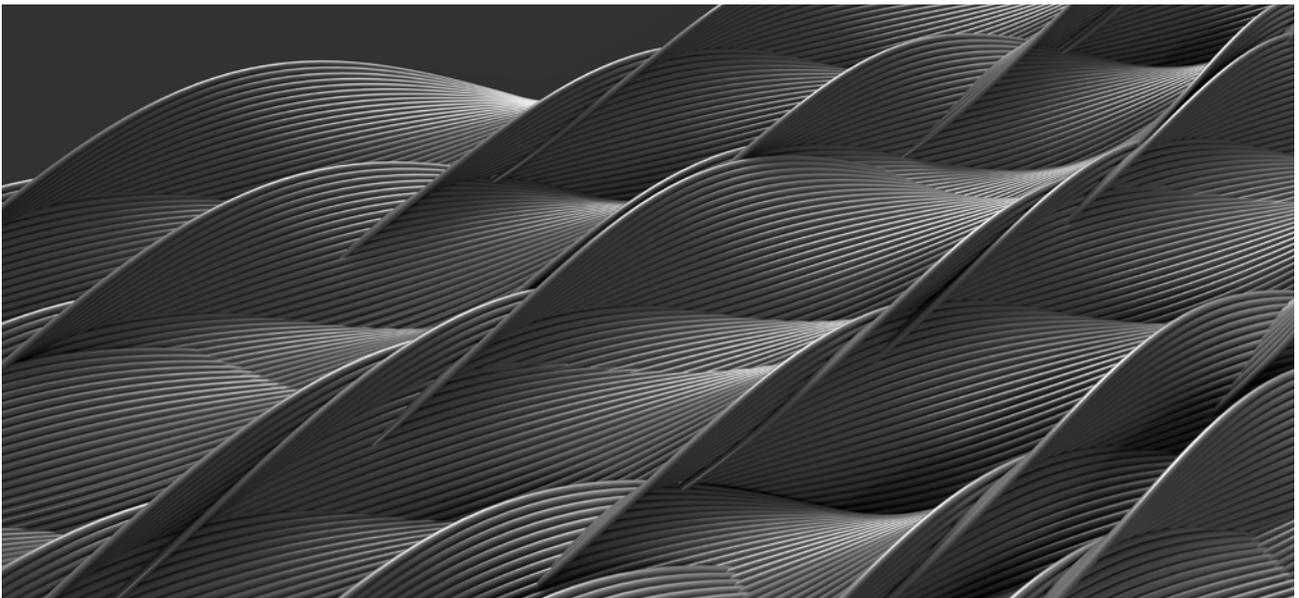
### **Budget & planning**

Traditional funding models require deep analysis, a clear plan, detailed requirements, and benefit statement, all before funding has been approved. Successful Agile FSOs set a strategic objective and challenge Agile teams to propose the levers required to achieve that objective.

Estimating how big the delivered value will be from the product and then, through iterative delivery and rapid feedback loops, finance teams can quickly review whether they are on track. If not on track, this does not change the objective, instead the focus shifts to challenge those involved to find another way to achieve it. This way, everyone shares a common understanding of how deliverables relate to each other, resulting in better decisions.

### **4. Monitor progress**

Providing management with a clear view of progress, risks and benefits is an integral part of any project. Without the traditional mechanisms of project plans, delivery milestones and monthly reporting, senior management may feel they lack visibility of how an Agile finance function is performing.



Agile reporting often departs from the traditional waterfall approaches which often fail to effectively quantify the value from each item delivered. The challenge for FSOs is to develop metrics that aid in decision-making, while ensuring data collection is useful under Agile business measures and do not drive the wrong type of behaviors. In practice, there are numerous metrics that can be used including velocity, which aims to measure productivity, and burndown which monitors progress.

An Agile integrated Finance function can support more insightful reporting and measures through exploiting their unique position within the FSO as a data aggregator.

Rather than tracking milestones and waiting for big-bang delivery of value at the end of project, Agile uses ceremonies like a quarterly business review (QBR) to create transparency and monitor progress towards the expected business outcomes.

### **Agile operating model for finance**

The desire to increase enterprise value by improved business decision making through alignment of Finance objectives and overall business strategy will require an enhanced operating model. The successful operating model of the future will drive efficiency and operational resilience through an integrated and more digitally optimized Agile landscape.

With many FSOs adopting a shared/managed services model as well as outsourcing in support of centralizing finance processes, efficient and focused Finance functions emerge, enabling leadership to focus on strategic growth.

### **Considerations**

Finance functions are evolving to become more astute about the data they use for decision making and how they create value for the organization.

Technology and automation are creating capacity within finance teams to support this evolution, as such finance ways of working will also change. Agile adoption offers a level of

flexibility to respond and adapt to changing requirements, which is particularly beneficial during periods of economic and market volatility.

As Agile utilizes an iterative process, it supports the attainment of an output that optimally includes the stakeholders needs and expectations for the end users, while deriving the most value during the iterative releases of the outputs.

Finance leaders should consider the level of progress made on their Agile journey, measure progress to the new operating model and overall company performance and develop an Agile transformation roadmap.

### **Conclusion**

Finance functions are shifting their focus to consider Agile ways of working as critical to rapidly adopting and deploying change. CFOs are forming strategic partnerships and embedding modern way of working to support strategic business decision-making. Key finance objectives include efforts to digitize their business while right sizing their spend. This is accelerating the need for innovation and emphasizes the evolution and impact of the finance function in driving growth and value creation at an enterprise level.

Agile finance has emerged. Lessons learned from IT and operations departments are driving digital enablement and Agility in finance ways of working. Through empowerment and capability in these areas FSOs can deliver forward-looking ideas, cost efficiencies, and rapid decision-making in alignment with strategic business initiatives.

Enterprise agility is fundamental to deliver business outcomes. The development of market-leading Agile capabilities which allows rapid response to market change and uncertainty, further supports attainment of strategic outcomes for core business areas, including finance.

Pursuing a competitive advantage and value add proposition requires innovation and new ways of working.

# AGILE TRANSFORMATION FRAMEWORK

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Capco have developed an enterprise Agile transformation framework based on real-world experience from what works, and what does not.

It is important for FSOs to define their own target state with each element of the framework in mind, and to identify a suitable pilot-subject (e.g., a program of work or business area) to use as a starting point to scale towards an Agile enterprise.

Our consultancy services are underpinned by capabilities within finance, digital and technology, and data; providing an end-to-end service to unlock value at an enterprise level. We combine deep domain knowledge and digital expertise to shape the transformation agenda across each of these domains: capital markets, retail and commercial banking, payments, insurance, wealth and asset management.

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<b>Digital Strategy</b>	<b>Product Management</b>	<b>Experience Design</b>	<b>Modern Architecture</b>	<b>Digital Engineering</b>	<b>Modern Delivery</b>
We use our deep domain expertise to develop focused, actionable and effective strategic responses. Our strategies are content rich, delivery focused, and innovative.	Translating strategy into action, working across the product lifecycle to create and deliver digital innovations in partnership with our clients and their customers.	We use the power of design to create strategies, products, services and customer centric organisations people love.	Transforming your vision into reality, by providing the best architecture solutions across enterprise, data, and infrastructure.	Providing hands-on technical skills across the entire technology stack, including software engineering, DevOps, cloud engineering and advanced test automation.	Collaborating with clients to embed new ways of working such as design thinking and agile, through ongoing coaching and training and operating model design.

## Capco Disclaimer

This is an information publication only and does not constitute professional consultancy advice.

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## ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the financial services industry. Our professionals combine innovative thinking with unrivalled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in banking, capital markets, wealth and asset management and insurance. We also have an energy consulting practice in the US. We serve our clients from offices in leading financial centers across the Americas, Europe, and Asia Pacific.

To learn more, visit our web site at [www.capco.com](http://www.capco.com), or follow us on Twitter, Facebook, YouTube, LinkedIn and Instagram.

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