Agile Controlling – Agility basics

Meaningfully using Agile Methods and an Agile Mindset in Controlling.

by Marie-Luise Lehmann / Imke Keimer / Ulrich Egle

Individuals and interactions instead of processes and tools. Responding to change instead of following a plan. Even just those two basic values from the Agile Manifesto likely cause a sense of unease in many controllers. They seem too radical and too far away from daily controlling practice. Is it not precisely the accuracy of the planning, that marks the quality of the controlling? What happens when adhering to the plan is not required anymore? Is controlling redundant then?

Almost 20 years after publishing the Agile Manifesto (cf. Beck et al, 2001), agile practices are as relevant as ever. It seems as if agility is a key criterium for the long-term success of companies and drivers of innovation. Why is that? And how can agility be implemented in controlling in a meaningful way that brings added value for controllers and companies both?
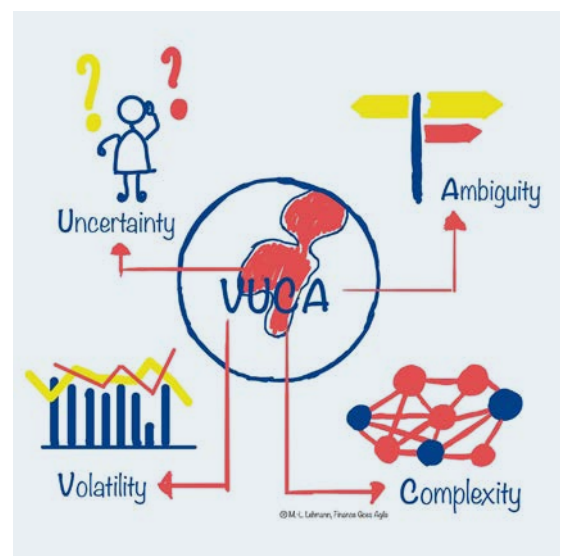

Fig. 1: The so-called VUCA-world

Change of the Corporate Environment

Let us first take a look at what problem agility actually solves: Driven by globalization and digitization, the corporate world is undergoing lasting change. For example, exponential data growth, disruptive technologies, new business models or the reduction of market entry barriers are creating an unsteady environment. This is characterized by

- Constantly changing business conditions (volatility),
- unpredictability (uncertainty),
- uncertain cause-and-effect relationships (complexity)
- and often not clearly assessable circumstances (ambiguity) (cf. Fig. 1).

The controlling function is feeling this change too and is faced with the challenge of confronting the VUCA world (cf. Schäffer and Weber, 2019). The approach control-

lersfrequently adopted so far, of delving into their world of figures in a concentrated manner to develop analyses and possible solutions, is no longer expedient here. Because even with great efforts to define and analyze all causalities, controllers regularly fail in everyday professional life when trying to use the analysis of the past to draw conclusions for the future in this complex environment. At the same time, the demands on controlling are changing. It is supposed to fill the role of business partner and be an advisor to management. In a study, however, 80% of the CFOs surveyed expressed concern that their team lacked the skills to actually meet these expectations (cf. Half, 2016).

Dealing with unpredictability in the face of constantly changing conditions, uncertain cause-and-effect relationships, and ambiguous evaluations thus requires not only a new mindset, but also an expansion of the controller's toolbox. Agile methods and an

agile mindset have been proven to master these complexities. Therein lies the opportunity for the controller. If they adopt the agile methods and mindset, they will be better able to cope with the demands of an increasingly complex world and contribute to the company's success in a sustainable and value-creating way. They will strengthen their reputation by providing additional value to management and become the business partner they should be.

Agility – What does it Mean?

Agility, as we understand it today, goes back to a meeting of 17 lateral thinkers from the IT industry. They met at a ski resort in Utah just over 20 years ago to draw up a new set of rules for software development. The focus should no longer be on the actual development process, but on the added value for the customer. Based on this idea, the Agile Manifesto was born.
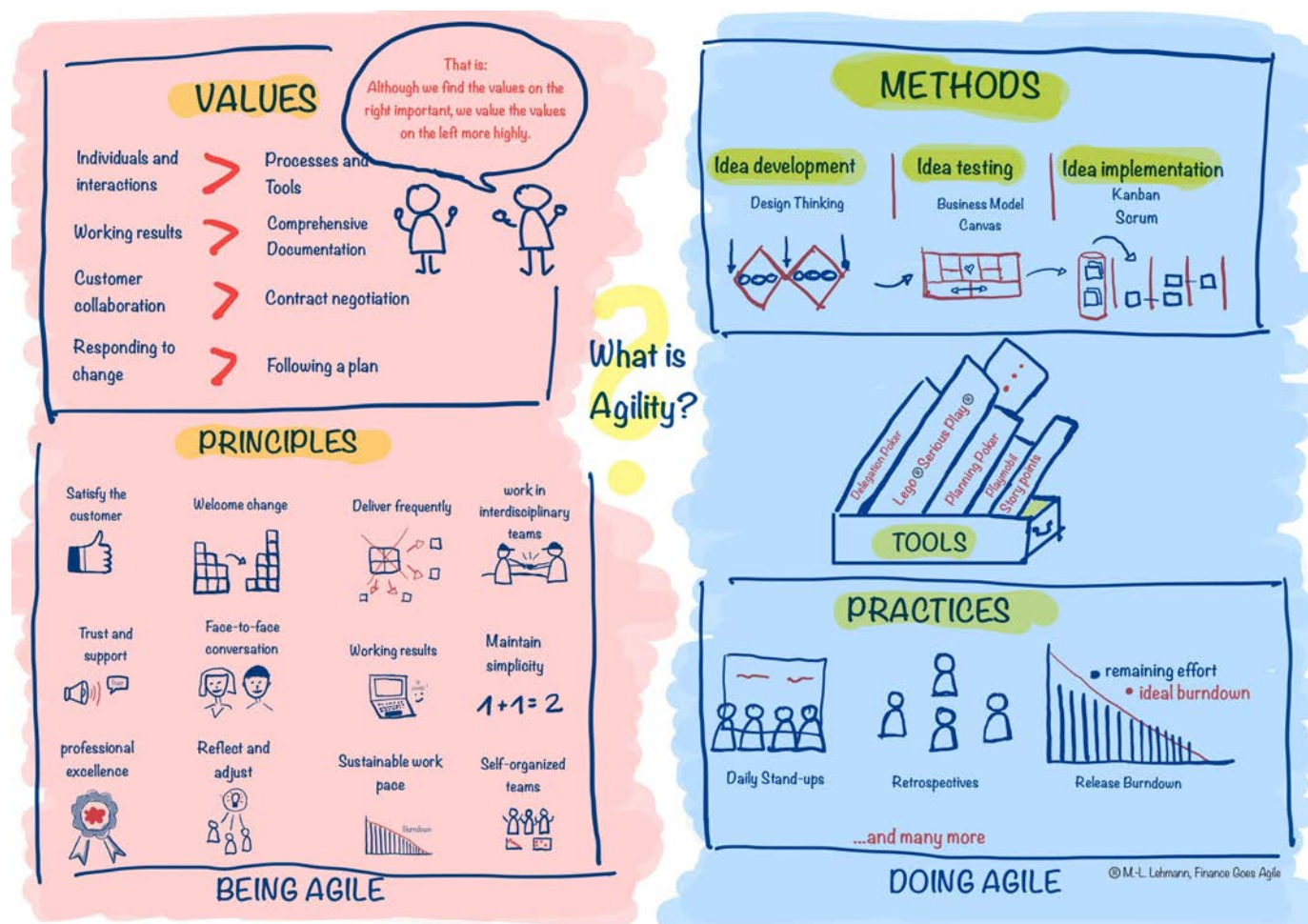

Fig. 2: Overview Agility

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What was initially planned as a simple framework for value-based development methods soon kick-started a revolution in working life. Because it additionally describes a value model based on trust and mutual respect. It promotes working methods based on people, collaboration, and building organizational communities in which you want to work (Psychological Safety).

In this context, the term agile encompasses the entirety of mindset (BEING AGILE) and many different operational implementation options (DOING AGILE) (cf. Fig. 2). The basic idea of agile working is to enable innovation so that agile companies can react quickly to changing conditions and requirements. Agile working is characterized by flexibility, team orientation and adaptability in the process.

While the topic of mindset is largely represented through the depiction of values and principles in the Agile Manifesto, the area of operational implementation options is constantly expanding through new methods, practices, and tools. The goal is usually to enable even better responses to complexity while promoting transparency, collaboration, and adaptation. Almost all agile methods have game-like elements and work heavily with visualizations (e.g., white boards, flip charts, maps, Post-Its, digital workspaces). This contributes to transparency and allows the team to see their tasks and their progress at all times.

One of the best-known agile methods is Scrum. The terms Scrum and agile are often mixed or equated. However, Scrum is only one of many agile methods that consists of fixed roles, processes and events that enable agile work. Examples of other methods are: Design Thinking, Lean Start-up, Kanban, Objectives and Key Results (OKR) or Liberating Structures. This list is by no means exhaustive (cf. Sutherland and Schwaber, 2020).

Agility is therefore not just a suitcase full of methods, it also encompasses new ways of thinking and approaches and thus a new mindset. Collaboration takes place across hierarchical levels and in interdisciplinary teams. This requires letting go of the original value model – which is often not easy, especially at the beginning.

Agility in Controlling

There are many reasons why the topic of agility should be tackled in controlling. The arguments so far have mainly gone in the direction of supporting the company in coping with the challenges of the VUCA world. We want to think a little further. Because it is also a great opportunity for controlling to consolidate its own position within the company in the long term. To move from its role as a number cruncher to that of a value-creating business partner, and thus to take an equal seat at the table in board and management meetings as an internal consultant. Controlling accomplishes this, for example, by moving confidently in the world of both agility and planning accuracy. It is able to find and position itself in hybrid organizational structures that are no longer hierarchical and not yet agile. Furthermore, it is skilled at correctly understanding issues in their respective context and selecting an appropriate solution strategy. Because it knows: Agile methods are not a miracle cure and are not suitable for all issues in a company and therefore not in controlling either (- but an agile mindset is!). In general, all necessary methods should also be used in agile controlling if they lead to an expedient answer to the problem. Ultimately, effectiveness and efficiency must be the focus when working to achieve the objectives of situations and tasks. Therefore, a general decision for or against agile methods should not be made per se. The respective context is decisive.

Agile Methods

As explained earlier, agile methods expand the controller's toolbox and help address issues where traditional approaches (e.g., checklists) fail.

A good decision-making aid when it comes to selecting between the multitude of agile and non-agile methods is the Cynefin model (cf. Snowden and Boonem, 2007). It defines five areas which, depending on the problem, recommend whether to use agile methods or not (cf. Fig. 3). The Cynefin model distinguishes tasks and situations depending on the respective approach in the five areas: Obvious, Complicated, Complex, Chaotic and Disorder. With knowledge of this system domain, it is possible to classify control processes and select the appropriate method. Following the correct classification of a task or situation in the Cynefin model, the controller can select a suitable method from a variety of them. This can be both agile and non-agile.

One of the most important success factors for projects is to take the time to really understand the problem. If you do not work cleanly at this stage and try to solve complex projects with simple methods, you will fail in the end. However, if it is recognized that there is a number of unknowns, then the iterative-learning approach presents itself as an opportunity to maintain the flexibility needed to solve a complex problem. This is why Cynefin is so successful. It encourages people to analyze the situation, select a pattern of action, act on it, evaluate the effect, and adjust their behavior if necessary.

In the following the individual areas are briefly discussed and examples in controlling are shown.

Fig. 3: Cynefin-Model
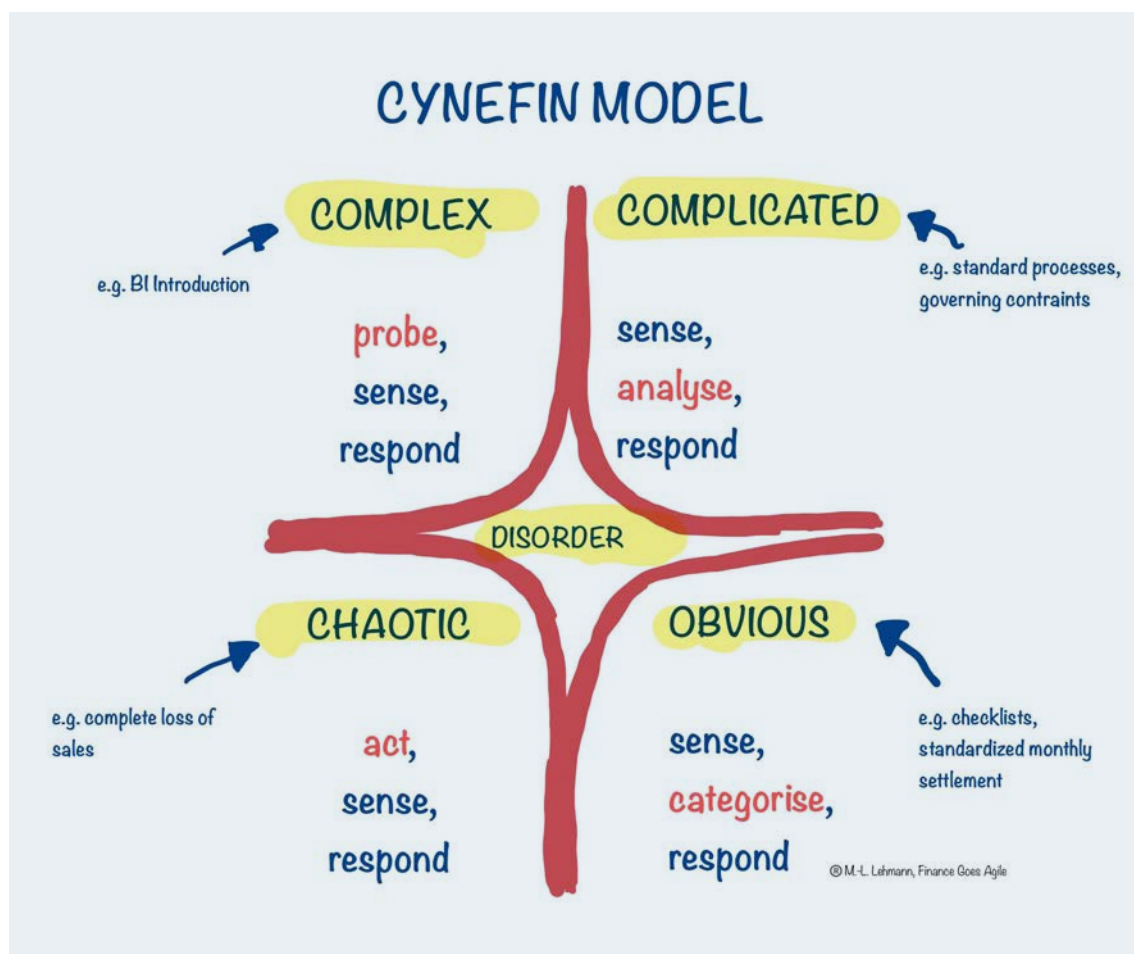
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Obvious

Obvious situations and tasks are characterized by the fact that the path to the goal is clearly defined. A cause-and-effect relationship can be recognized, and a correct solution exists.

In controlling, this means that hardly any prior or expert knowledge is required for these situations and tasks. The

Summary

Agility offers controlling the opportunity to meet the challenges of the VUCA world. The establishment of the agile mindset and the selective use of agile methods brings relevant issues to the fore and enables the controlling function to act quickly and flexibly. The first part of our series Agile Controlling shows how agile methods and agile mindset can be used in controlling in a meaningful way.

tasks can be delegated and often include previously standardized processes.

Examples: Standardized reporting, simple control calculations, routine diligence tasks.

Agile methods are not strictly necessary for these tasks and can easily become a complexity driver. If used correctly, however, they promote transparency here as well.

Complicated

Complicated situations and tasks have defined objectives, but different approaches to solving them exist. Although a cause-and-effect relationship exists, it is not necessarily obvious and often still needs to be analyzed.

In controlling, expert knowledge is required for these situations and tasks. In addition, these tasks often require thinking outside the box and working across departments and disciplines. There are short decision-making processes and thus a high speed of implementation.

Examples: demanding standard processes (e.g., reporting/commenting on annual/monthly financial statements with many dependencies), establishment of company guidelines.

Agile methods are suitable here, for example, to address dependencies and resource estimates early in the process. Especially in interdisciplinary teams, a common understanding of the problem is crucial for the successful completion of the project.

Complex

In complex situations and tasks, there are both different objectives and different approaches to solving the problem. Different approaches compete, contain unknown parameters, and cannot be planned conclusively at the time the task is set. An explorative approach with iterative phases and feedback is often necessary.

In controlling, for example, this could be the introduction of a BI-tool. Here, agile methods are initially suitable for a common understanding of the problem by all stakeholders and the project team (e.g., through Design Thinking). Subsequently, the possible solutions can be checked for their feasibility (e.g., Business Model Canvas) and acceptance criteria for the final result can be developed (e.g., through Liberating Structures). This is followed by the implementation of the project (e.g., with Scrum).

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Agile Controlling

Agile controlling means that a controlling function places the provision of the greatest possible (internal) customer added value at the center of its daily work. To this end, it establishes the agile mindset, draws on a toolbox of classic and agile methods, and is able to apply the method appropriate to a given situation or task (Cynefin model). The value of agile controlling is that it enables teams to focus on the relevant issues and thus to respond more quickly and flexibly to the challenges of the VUCA world.

Chaotic

If neither objectives nor potential solutions are known and no known cause-and-effect relationship exists, a situation — more commonly than a task - is chaotic. Chaotic situations require immediate action. Dealing with them requires a lot of intuition and experience. Fortunately, such situations occur rather rarely in comparison.

Chaotic situations arise primarily in extreme scenarios where no best practice and no past experiences exist. As an example, one could cite the sudden loss of the entire company sales or also refer to the lockdown during the Corona crisis, which presented many companies (and thus also the respective controlling functions) with great challenges.

Here, methods that contribute to rapid decision-making but still actively involve all team members (e.g., 1-2-4-ALL) are helpful.

Disorder

For these situations and tasks, it is still unclear as to which area they should be assigned to. After they have been classified as one of the other four areas, a decision can then be made about the use of the methods.

Overall, the Cynefin model makes it possible to select a suitable method as an approach for a situation or a task. It should be noted that the boundaries between the areas are fluid and not every situation can be clearly classified. Complex, complicated, and chaotic situations are particularly suitable for the use of agile methods. Fundamentally, it can be said that the more unclear the path and objective are, the more sensible it is to use agile methods.

Transferring the Cynefin model to the VUCA world explains the success and the necessity of agile methods.

Agile Mindset

Beyond the selection of the appropriate method, DOING AGILE, the agile mindset, i.e., BEING AGILE, must not be neglected (cf. Fig. 2).

Agile mindset is the way in which the individual and the organization handles and accepts uncertainties. To counter uncertainty,

a culture of learning is established in which new things are tried out and understood as an opportunity to fulfill (internal) customer benefits ever better. It helps to minimize risks, as there is continuous questioning, learning and, where required, adaptation.

Agile methods without an agile mindset are doomed to failure because the important core elements of transparency, respect and the application of the value model are missing. A company, and consequentially also a controlling function, does not work in an agile way if it reduces agility only to the methods. Agile methods and agile mindset should be seen as a unit like yin and yang and implemented as such. Establishing the mindset is often the more difficult task and one of the reasons why people speak of agile transformation processes.

The challenges on the part of the CFO or the controlling manager therefore lie not only in imparting methodological competence, but also in working on the topic of mindset. This requires a willingness to change, which is a major hurdle for those controllers who value planning security and shy away from disruption. All too often, the controller's first impulse is to bring certainty and clarity to an issue through excessive planning precision. There is often a lack of awareness that issues should be solved differently. This is also a part of the agile mindset. It makes it possible to see the entire range of possibilities and to decide on a suitable method depending on the situation. In summary, we define agile controlling as follows:

If this succeeds, then agility is the opportunity for controlling to not only provide significant support to the company in its own agile orientation, but to also become a driver of agility in the company itself. Controlling can expand and consolidate its position as a business partner if it is actively involved in the change processes in the company and supports it in setting the course for agility. In this way, controlling can not only adapt its own service sector to the needs of agility, but also play a pioneering role in the company and establish an agile mindset and agile methods. In the best case, the controller is an integral part of every agile team, since he not only plays the agile keyboard, but also brings the financial perspective and the cost perspective to the interdisciplinary team.

Conclusion

Agility offers an opportunity to meet the challenges of the VUCA world. Agile methods are particularly suitable for these tasks. However, an agile mindset is also required to accept these challenges as a constant and to deal with them as a learning organization. The controller is not redundant here, but instead plays a decisive role in the company's activities as a business partner, whose importance is expected to increase even further. Successfully established agile controlling is the control center, business partner and advisor of the company and is therefore of vital importance.

This article is a part of the series Agile Controlling. In the next part you will learn more about the agile toolbox of the controller. ■

Literature

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ICV Work Group Agile Controlling

Ulrich Egle and Marie-Luise Lehmann lead the new ICV Work Group Agile Controlling. In the work group, we discuss solutions for setting up and operating agile finance and controlling departments and develop them further. All necessary agile aspects are considered, from the agile mindset to the adequate use of agile methods, to flexibly meet the future challenges in finance and controlling departments.

We are looking forward to welcoming interested members. Event information and registration via the ICV-homepage, heading Work Group Agile Controlling: www.icv-controlling.com or via e-mail to the heads of the work group.

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