



Learning Outcomes

Agility in Finance

Certification

International Certification Alliance

Version 1.0 — August 2026



LICENSING INFORMATION

The work in this document was facilitated by the International Certification Alliance (ICA) and done through the contributions of various experts and practitioners. These learning objectives are intended to help the growing Tomorrow-Ready™ community worldwide.

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FOREWORD

When organizations adopt agile approaches enterprise-wide, one of the most common challenges is changing the way finance and accounting functions operate. In the traditional world, financial planning most often occurs annually, with budgets allocated in advance and success measured in relation to budgets.

In today's complex business environment, this no longer works and new approaches are needed. While continuing to emphasize wise spending and compliance with regulations, these new approaches also enable adaptation and rapid response to the changing circumstances in the business ecosystem.

Success today is about sustainable delivery of customer value, while also empowering the people who are closest to the work to make good decisions. These decisions include responsible stewardship of the organization's funds. This means approaching finance, accounting and procurement with an agile mindset, radically changing the way budgeting and cost allocation is undertaken, reexamining our accounting principles and taking more collaborative and incremental approaches to procurement.

This certification's learning outcomes chart the path to new ways of thinking and working in the finance, accounting and procurement areas. These Learning Outcomes have been built by pioneering practitioners from around the world, drawing on their real experiences helping organizations become agile in finance.

- Finance professionals
- Procurement professionals
- Business managers and executives
- Compliance professionals
- Accountants
- Sales professionals

HOW TO READ THIS DOCUMENT

This document outlines the learning outcomes that accredited member organizations must address to offer ICA's Agility in Finance certification.

Each learning outcome (LO) follows a particular pattern, described below.

O.O.O Learning Outcome Name

Additional Context, describing why this Learning Outcome is important or what it is intended to impart.

The learning outcome's purpose further describes what is expected to be imparted to the learner (e.g., a key point, framework, model, approach, technique, or skill).

LEARNING OUTCOMES

1. FINANCE WITH AN AGILE MINDSET

1.1 WHY AGILE FINANCE

1.1.1 The Motivation for Change

Current finance and accounting approaches impact an organization's ability to adapt and respond to changes.

Convey that in today's complex and uncertain world, predictability is often non-existent. Traditional finance approaches have proven inadequate in this kind of environment. Include a complexity model such as the Cynefin framework to explain why an iterative and experimental approach, that embraces uncertainty, is superior to traditional control approaches that assume predictability.

1.1.2 Agility in a Nutshell

Agile approaches can help us cope with rapidly changing contexts.

Introduce the history of the agile movement, how it was designed as a response to complex challenges, how it evolves towards achieving business agility, and why the agile mindset is paramount to achieving agility. Convey the basic paradigms of agility using the principles behind the agile manifesto as they can apply beyond software development.

1.1.3 Financial Reporting in Agile Organizations

Accounting practices exist to ensure that reports relied upon by regulators, owners and investors are free from material misstatement.

Reinforce why financial reports must be prepared on a consistent basis according to accepted accounting principles. Agile accounting approaches uphold and reinforce this fiduciary responsibility without limiting innovation.

1.2 ADAPTING FINANCE TO AGILE ORGANIZATIONS

1.2.1 How Traditional Financial Approaches Challenge Enterprise Agility

The use of traditional approaches in complex business environments leads to unwanted consequences and dysfunction.

Discuss ways to uncover the challenges traditional financial approaches bring to enterprise agility using ideas such as the six leadership principles and the six management processes.

1.2.2 Approaches for Agility in Finance

In order to support and enable agility throughout the organization, financial structures and processes must be based in an agile mindset.

Introduce select principles and processes (such as Beyond Budgeting). Provide relevant examples, and encourage participants to reflect on how their reality differs.

1.3 CHANGES OF ROLE AND PERCEPTION

1.3.1 Primary Changes in Financial Roles

To overcome the dysfunction inhibiting enterprises from thriving in a turbulent world, it is necessary to shift the paradigm around how financial activity takes place.

Illustrate how, in today's environment, financial work areas shift more towards predictive data analytics and management decision support. This helps to guide decision-making in the moment rather than enforcing adherence to previous decisions and plans which likely no longer apply.

1.3.2 New Competencies and Skills Needed

The new role of finance requires both different and additional skills.

Articulate capabilities, skills and knowledge that financial people need to support an agile organization, including financial competence (business understanding), method competence (analytical skills), personal competence (objectivity, integrity, ethics), social competence (communication skills, empower others) and an agile mindset that embraces uncertainty.

1.4 AGILE FINANCE AND THE BUSINESS ECOSYSTEM

1.4.1 Dilemmas and Different Perspectives

There are many ways financial perspectives can impact, engage and challenge an agile team.

Introduce the range of dilemmas, challenges, and perspectives that may be encountered in the business ecosystem when financing an agile project, product or team.

1.4.2 Challenging Silos and Misalignment

Isolated, siloed organization structures can achieve local optimization for the individual silos, but generally result in sub-optimization and misalignment at the organizational-level.

Explain the negative impacts of local optimization and the resulting move from efficiency to effectiveness. Provide examples of how an end-to-end, value-focused view of the organization results in better outcomes.

1.4.3 Creating Partnerships

In today's business ecosystem, traditional supplier relationships are often not enough. A partnership approach is more conducive to enabling rapid response to change.

Introduce ways to create partnerships that are effective in a business ecosystem with agile partners, vendors, and organizations.

1.4.4 Building Trust in Financial Contexts

Trust is an essential value in agile. However, many approaches to contracts are based on an explicit lack of trust.

Explain the importance of reflecting on how trust is given, when and to whom. Articulate that building trust in the appropriate contexts is key to enabling the full potential of the business ecosystem. Explore how to navigate sensitive financial discussions to maintain relationships of trust.

1.4.5 Agile Collaboration Models

Agile approaches (e.g., scrum, kanban) do not explicitly provide guidance on dealing with external partners.

Explain the value of defining an overall collaboration model and provide examples of what such a model would contain.

1.4.6 Distributed Teams

The prevalence of distributed agile teams and remote partners continues to rise.

Explore some possible configurations of distributed teams and partnerships that may be applicable in organizations today. Analyze the implications of these configurations and factors that make them most effective.

2. BUDGETING AND COST MANAGEMENT

2.1 THE IMPERATIVE TO CHANGE BUDGETING AND COST MANAGEMENT

2.1.1 Revisiting the Purpose of Budgeting

The purpose of budgeting is to direct financial resources in a way that provides the most value for the company (e.g. creating customer delight in a profitable way).

Explain that budgeting can be separated into target setting (what we want to happen), forecasting (what we think will happen) and resource allocation (what it takes to make it happen). Discuss potential legal and regulatory constraints to consider before releasing a budget. Explain how traditional budgeting collapses these three purposes into a single function. Introduce approaches, like Beyond Budgeting, which suggest splitting target setting, forecasting and resource allocation into three separate processes to achieve higher levels of adaptability and agility.

2.1.2 Influence of Goals on the System

Goals have an important impact on the organization.

Show how goals create attention and focus in a company, as well as contrast how areas that do not have targets may be neglected.

2.1.3 Influence of Goals on Human Behavior

Goals have an important impact on human behavior.

Explain how goal setting and frequent follow-up create incentives. People want to "look good" in relation to the figures they report. Ensure that goal setting and follow-up are underpinned by psychological safety to avoid sub-optimization.

2.2 FREQUENCY OF THE BUDGETING CYCLE

2.2.1 Budgeting and Cost Management for Agility

A traditional, centralized budgeting and cost management approach is too slow for today's business environment. Uncertain conditions necessitate different tools for leading organizations.

Show how, when budgets are set yearly and controlled on a regular basis, there is little to no room to adapt to new information. In an agile world, budgets need to be re-negotiated when insights emerge or surprises occur. Traditional processes assume stability and thus demotivate change that might occur during the budget cycle. Budgets should be (re-)negotiable frames based on learning rather than goals.

2.2.2 Shifting from Fixed Budgets to Incremental Funding Allocations

Fixed budgets are established by an annual process and are intended to control costs at an aggregate level. Activity-based budgets allocate funds based on and according to the parameters of specific activities.

Illustrate the need to move from big, infrequent and imprecise budget decisions to frequent, small and adaptable decisions. Describe the associated need to create three separate processes around target setting, forecasting and resource allocation.

2.2.3 Adopting Continuous Financing

Financing approaches need to align with organizations' product development and service delivery as the organizations adopt continuous delivery.

Introduce the key ideas behind continuous delivery (for product or services) and describe how financial processes can evolve to enable, and not inhibit, continuous delivery environments.

2.3 TARGETS, FORECASTS AND RESOURCE ALLOCATION

2.3.1 Effective Financial Targeting

Targets represent our current idea of a desired position. In a complex world things can and will change and targets need to adapt accordingly.

Provide examples of how to formulate ambitious and relative financial targets. Describe the supporting process for achieving these.

2.3.2 Effective Financial Forecasting

Forecasts represent what we think will happen in our business. They should focus on indicators around desired outcomes.

Show why forecasting should be data-informed and not rigid/political. Explain why forecasts should only have enough detail to support decision-making. Explain how business assumptions get translated into experiments and forecasts, and that forecasts are experiments based on probabilities.

2.3.3 Effective Resource Allocation

Financial resource allocation should be dynamic and informed by targets and forecasts.

Illustrate how to move towards rational spending decisions by ensuring that resource allocation is responsive to the dynamic nature of forecasts and targets. Provide examples of how spending allocation decisions can be adapted to emergent situations.

2.4 BUDGETING TO CREATE CUSTOMER VALUE

2.4.1 Comparing Funding Approaches: Projects, Products and Value Streams

Rapid technology change is having an impact on the way organizations deliver value. Large traditionally-delivered projects are becoming the exception. Modern organizations must consider different delivery modes that enable the rapid delivery of value to clients.

Outline the three main delivery approaches: (1) project, (2) product/value stream and (3) no project. Discuss these approaches using examples or exercises that clearly outline how different modes deliver value. Explain the need to have a harmonic co-existence of non-dynamic and dynamic parts in the company, and the common practice of blending delivery approaches.

2.4.2 Value Management vs. Cost Management

Funding based on value and outcomes rather than fixed cost or functional area financing.

Explain that there will always be a tradeoff requiring a balance between demand and capacity. Articulate the imperative to find the value and sustain the business. Consider opportunities to expand value generation, rather than always seeking to limit cost. Identify limiting factors that may exist variably, depending on each organization's capacities.

2.5 BUDGETING ACROSS THE PRODUCT LIFECYCLE

2.5.1 Product Lifecycle Considerations

Approaches to create and manage products need to be fit-for-purpose and consider the stage in the lifecycle of the product.

Show how early product lifecycle stages are characterized by very high ambiguities and uncertainties in business model, customer need and product solution. Contrast this with late lifecycle phases which are generally characterized by relatively high certainty in these areas, requiring different approaches and metrics to be applied based on the context.

2.5.2 Early Lifecycle Financing for Exploration

In early lifecycle products, the emphasis is on incremental and experimental financing. Failure is expected and learning through failure is a key characteristic in early stage products.

Explain that exploring the business model, understanding the customer job to be done and understanding how to create customer value are normally the primary foci in early product lifecycle stages. Explain how approaches like lean startup and venture capital via investors (including crowd-sourcing) are appropriate. Focus on finding and exploring a business model that promises to be at least reasonably profitable mid- to long-term. Explain how routing financial resources to the optimal investment item needs to be very flexible and thus lightweight. Illustrate that short cycles and rapid learning lessen the impact of failure, and that appropriate metrics enable fast learning and adaptation.

2.5.3 Late Lifecycle Financing for Exploitation

In late life cycle products, the emphasis is on efficiency and sustainability of financing.

Explain that in later product lifecycle stages the business model is usually relatively stable, and thus the dynamics of re-allocating money from one investment item to another is lower. Show how, at the same time, the product is often handled as a cash-cow, and the focus is on optimizing investment over revenue. Explain how this enables tighter financial control with the (lean) idea of continuously optimizing financial performance, while keeping customer value as high as possible. Illustrate that experimentation and learning will continue, but with a focus on building efficiencies. Show how appropriate metrics help learning and optimization.

2.6 EMPOWERING TEAMS TO MANAGE FINANCES

2.6.1 Ownership and Product Budget

Decision making should be decentralized, ensuring learnings are shared. Empowered teams should be trusted to manage their own resources.

Explain why people need to take ownership and provide techniques which enable the entrepreneurial mindset (such as the Christopher Avery Responsibility process model, Management 3.0 Decision Poker, etc.). Present why leaders need to not micro-manage. Explain and provide examples of processes that support decentralized budget management and decision making.

2.6.2 Trust and Transparency

There needs to be a good and healthy balance between centralized functions and decentralized teams. This requires communication structures that enable shared learnings and build trust and transparency.

Explain the necessity of transparency of financial data and constraints. Explain how social control can be applied in organizations as distinct from central or process control, such as an organization sharing all travel expenses rather than having a travel policy. Describe communication structures that enable team empowerment and distributed decision making.

2.6.3 Moving Funds as Needed

Teams should be engaged in the decisions about moving funds in response to needs.

Describe structures which allow teams to participate in the distribution of financial resources – optimizing funds at the organizational level. Explain how these structures support team culture, using examples such as reward systems, governance structures, recruitment criteria, etc.

3. WHAT'S DIFFERENT ABOUT ACCOUNTING

3.1 AGILITY AND FINANCIAL COMPLIANCE

3.1.1 Accounting with an Agile Mindset

An agile mindset can, and should, be applied in accounting — as well as other areas of the business.

Show how agile principles can be applied to financial operations outside system development, providing example concepts from relevant methodologies (e.g. lean).

3.1.2 Agile Processes and Compliance

Empirical processes associated with business agility provide opportunities for improvements to internal control and synergy with compliance/audit activities.

Explore the synergy between agile approaches and the objectives of compliance organizations. Internal accounting control can be enhanced by the regular inspection/acceptance cycle associated with agile processes.

3.1.3 Authority & Regulation

Agile practices can be used for various sources of authority with accounting matters.

Explore how many financial activities are subject to authoritative pronouncements issued by outside governing bodies. Provide examples for these rules, such as the need to produce an annual budget, capitalization rules for intangible assets (e.g. software) and revenue recognition for work performed under contract. Illustrate that authoritative pronouncements do not directly address preferred methodology, showing how agile concepts can be compliant.

3.1.4 Agile Principles and Accounting Ethics

Ethics rules for accountants apply irrespective of the mechanisms used.

Explore the impact of ethics requirements on process development. Explain how an agile approach makes compliance a continuous activity.

3.1.5 Moving from Accounting Rules to Accounting Principles

The global practice of accounting is moving from specific rules (often regional) to a principles-based approach.

Explore the key features of principle-based approaches and how this is influenced by the move to agility.

3.2 AGILE ACCOUNTING METRICS

3.2.1 Cost of Delay

The cost of delay is a major factor in the effectiveness of flow-based systems.

Explain the cost of delay and tools to measure and manage it.

3.2.2 Cost of Quality and Non-Conformance

Low-quality work inevitably has a higher cost in the medium to long term.

Explore the financial impact of low quality work. Illustrate how the cost of quality represents expenses to deliver a product that, at minimum, conforms to requirements and, at best, delights customers. The cost of non-conformance includes expenses associated with rework, defects, etc.

3.2.3 Forecasting Future Value

Agile processes require honest estimation of the future value that will be received by users/consumers.

Explore methods to forecast / calculate future value such as payback period, discounted cash flow, and internal rate of return.

3.3 ACCOUNTING FOR AGILE INITIATIVES

3.3.1 CapEx vs. OpEx

From an accounting perspective, it is important to know how to correctly categorize work as capital expenditures (CapEx) and operating expenses (OpEx).

Understand the allocation of CapEx and OpEx in agile projects. This includes explaining how software, development and maintenance activities can be accounted for in agile initiatives.

3.3.2 Capitalizing Development Tools

In certain cases development tools are capitalizable.

Know when it is beneficial to capitalize development tools for an agile project or team. Understand how to capitalize such development tools.

3.3.3 Iterative vs. Flow-based Allocation

Allocation considerations for iteration-based projects differ from initiatives using flow-based agile approaches.

Compare the impact of iteration-based and flow-based agile methods on the allocation of CapEx and OpEx. Explain how both CapEx and OpEx activities can exist in the same backlog.

4. AGILE PROCUREMENT

4.1 OVERCOMING TRADITIONAL PROCUREMENT CHALLENGES

4.1.1 Challenges of Traditional Procurement

The classic procurement approach is more than 120 years old and many of the practices have not changed significantly over time.

Present the imperative for new procurement approaches to cope with today's volatile environment. Mention the specific obstacles to agility presented by traditional Request for Information (RFI) and Request for Proposal (RFP) processes.

4.1.2 Agile Approaches to Procurement

Different procurement approaches are essential to confront the market challenges of a complex world.

Demonstrate that overcoming complexity using agile principles is equally valid in the procurement domain as it is in other domains such as product development.

4.1.3 Agile Tools for Procurement

New tools are available that are better suited for agile approaches to procurement.

Demonstrate tools to co-create the starting "scope" during procurement, responding to customer feedback and changing customer needs (e.g. the Lean-Agile Procurement Canvas from Mirko Kleiner).

4.1.4 Partnership Ecosystems

The most common relationships with internal & external partners often focus on one project's pre-defined scope, instead of evolving with customer needs.

Explain that partnerships aligned with value streams have greater business value potential for both parties. Articulate the value of cultivating an ecosystem of multiple partners with which one can collaborate based on their capabilities.

4.2 AGILE CONTRACTS

4.2.1 New Contract Models

A contract for an agile project / product is not the same as a traditional contract.

Discuss the imperative of flexible scope, and explain why fixed-price contracts with fixed scopes are not effective in agile environments. Discuss alternative contracting approaches such as time and materials, fixed-price per iteration, incremental, etc. Explain how estimation approaches, prioritization and practices such creating a "Definition of Done" may be used as mechanisms to determine contract performance.

4.2.2 Mutually Beneficial Contracts

While traditional contracts often set the parties at odds from the start (with one striving to get more from a contract than the other), the underlying spirit of agile contracts strives to make both parties benefit equally.

Explain how agile contracts can be structured so that both parties have an incentive to succeed. Explain how buyers of agile software development can structure their contracts by features, stories, or sprints to be incremental. Explain how vendors and buyers can co-create and structure agile contracts so that they benefit from a collaborative and mutually beneficial arrangement.

4.2.3 Incentives over Penalties

It is often more effective to offer incentives for good performance rather than penalties for poor performance.

Demonstrate how to ensure that agile contracts carry the spirit of collaboration into the contract. Explain that agile contracts should motivate parties by offering incentives for good performance, rather than focusing on penalties for non-performance. Share some real-world cases and examples of structured contracts which emphasize incentives and collaboration instead of penalties.

4.2.4 Key Performance Indicators (KPIs)

Just like with any contract, it is critical to define when the terms of an agile contract have been satisfied.

Introduce indicators of agile contract performance, and how they should use outcome- rather than output-based metrics where possible. Explain examples of agile KPIs such as customer satisfaction, levels of engagement and feature take-up. Explain contrasting examples of less ideal metrics such as story points, features, or stories-per-iteration.

4.2.5 Contract Feedback Mechanisms

As projects in complex environments have a low degree of predictability, plans need to adapt during implementation as opposed to being defined upfront.

Emphasize that the absorption of new insights and learnings into project execution requires mechanisms for continuous feedback. Provide examples of such mechanisms and how they can be built into agile contracts.

4.2.6 Legal Considerations

Although agile contracts are more collaborative in nature, critical legal questions must still be included. Discussing them helps gauge compatibility in the earliest stages.

Describe the most common legal questions to consider in an agile contract. Show how to co-create a joint agreement based on shared vision and equal partnership. Hold a sample negotiation to co-create an agile contract. Explore topics such as IP rights, warranty, risk sharing, etc.

SPECIAL THANKS

ICA would like to give special thanks to the contributors:
Bjarte Bogsnes · Ivan Dubrovin · Hendrik Esser · James King ·
Mirko Kleiner · Evan Leybourn · Stephen (Steve) Milligan ·
John Okoro · Pat Reed · Helen Snitkovsky · Burkhard Tolks