The Financial Benefits of Scrum

What does Scrum mean for your company’s bottom line?

You often hear about the benefits of Scrum for teams and team members. Those benefits are real, and they can be significant. However, Scrum delivers beyond the team. It can drive tremendous financial benefits for organizations. Oddly enough, these financial benefits are rarely given much attention, even though return on investment is a big part of any organization’s decision to commit time, resources, and money. So let’s spend some time looking at how Scrum helps your bottom line.

Scrum contributes financial benefits in two ways:

- Tangible return on investment
- Less tangible risk avoidance

What is Scrum?

Scrum is the leading Agile product development framework. It provides a foundation and path to delivering business goals in a collaborative, sane, and enjoyable manner.

Scrum was created with software development in mind, but many other industries apply this framework to their own worlds. In fact, education, marketing, operations, and more are adopting Scrum and enjoying the benefits it brings them.
Scrum and ROI

Tangible benefits tend to be easy to identify. Scrum delivers performance against scope/quality, schedule, and budget. That’s important to organizations. As an example, in the Scrum Alliance 2015 State of Scrum Report, those three factors combined were the second-highest priority for businesses using Scrum, second only to fulfilling customer needs.

Scope/quality, schedule, and budget drive significant bottom-line benefits. When you lower your execution cost, you improve your margin and reduce your investment payback period. That means you free up funds and internal resources for new investments.

Quality can deliver financial benefits in a number of ways: Better quality leads to more sales, allows for increased pricing, reduces support costs, and minimizes negative publicity/customer perception. Quality also drives customer satisfaction, which benefits your organization through repeat business, excellent references, and client advocacy.

While the benefits for each organization depend on how Scrum is used and the needs you choose to address, you can expect tangible benefits. You’ll likely see a significant and sustainable bottom-line improvement with Scrum compared to more traditional product execution approaches. The benefits of Scrum will allow for additional investments in other areas that can, in turn, evolve into further gains for your organization.

Scrum and risk avoidance

Less obvious yet tremendously important is the fact that Scrum also drives risk avoidance. When a company decides to invest, there’s at least some element of risk. Products and projects carry a lot of uncertainties that contribute to those risks, such as:

- Errors in the business case
- Management and contingency reserves
- Cost of correcting and managing triggered risks

When you consider these risks and more, depending on the project, the business impact can be considerable. “Scrum tries to pull risk upstream and address it earlier. With Scrum we avoid those ‘death march’ projects where the things we worried about on Day One are suddenly coming true and are impossible to fix before release,” says Bob Hartman, Certified Scrum Trainer®.
Scrum also lowers internal risks. When your employees are members of self-managed teams, they feel more engaged in their work—which leads to a greater sense of job satisfaction and a lower turnover rate. Highly engaged employees also produce better-quality work, minimizing the likelihood of mistakes. “People underestimate the power of the positive influence of always getting things done. When you make the people you have happier, it improves customer satisfaction, quality, and productivity,” says Hartman.

Scrum delivers risk reduction in a number of other ways as well. In the State of Scrum Report, 49 percent of organizations that embrace Scrum said they do it to help fulfill customer needs. The ability to have customer representation in your product or service development eliminates much of the uncertainty associated with launching a solution. It also allows potential issues to be identified earlier in the development cycle, improving the visibility of risks. That makes corrective actions quicker and cheaper and reduces the impact of those issues.

At a macro level, Scrum’s short-solution development cycles act as early warning systems for a project that’s misaligned with market or customer needs. This allows you to identify projects likely to fail and terminate them earlier in the development cycle. By doing so, you reduce project portfolio costs and lower the risk of developing a product that will fail in the marketplace.

Anything you can do to reduce known and (perhaps more important) unknown risks, the better off your organization will be. With Scrum, you’ll reduce your need for reserves and spend less money on risk management and recovery. Better risk control will also reduce exposure in areas as diverse as regulatory compliance, public perception, and the ability to hire and retain top talent.

At the end of the day . . .

Scrum isn’t just about the bottom line. In fact, money isn’t the biggest driver of Scrum for many organizations. As the State of Scrum Report indicates, there are many reasons for leveraging Scrum. However, Scrum benefits often lead to real financial gains, and while they are by-products rather than primary drivers, they are no less significant.

Learn more at www.scrumalliance.org.

2015 State of Scrum Report - Download PDF
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To transform the world of work by guiding organizations to become prosperous and sustainable, to inspire people, and to create value for society.

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