

What Effective Agile Contracts Look Like

PRESENTED BY

MANJIT SINGH & MADHULIKA GHARPUREY



20 years of software development, management & delivery experience

15 years of agile experience; starting with XP in 2000 at IBM

Enterprise Agile Transformation Coach & Trainer

Founder & organizer DC Agile User Group

Consulted, trained, or coached teams at IBM, SRA, UMUC, NSF, DOJ, DOL, NSF

MS Computer Science at SUNY Albany



**President
Agilious**

manjit@agilious.com | [@supermanjit](https://twitter.com/supermanjit) | [LinkedIn.com/in/SinghManjit](https://www.linkedin.com/in/SinghManjit)

Agile Acquisition Strategy

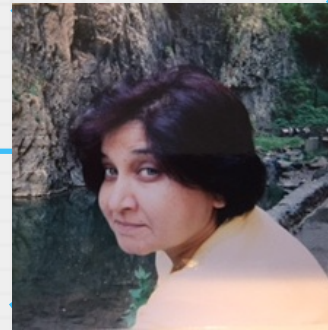
Seasoned Federal
Government Executive

Organization Change
Management

Business Process
Improvement & Reengineering

Experience: FCC, USDA,
FTC, DOJ and DOC

MBA, CSM, PMP, ITIL v3,
& Six Sigma



**Division Chief
Planning &
Administration
M/CIO, USAID**

Current Challenges

Mismatch of Contract Structure and Delivery Methodology

Solution

- Align Federal Software Development Contracts with...
 - Agile Software Delivery Methodology
 - Team Structure

But How?

But How?

- Ask not how much it will cost...
- Ask instead, how much do we invest to achieve value!

Three Variables

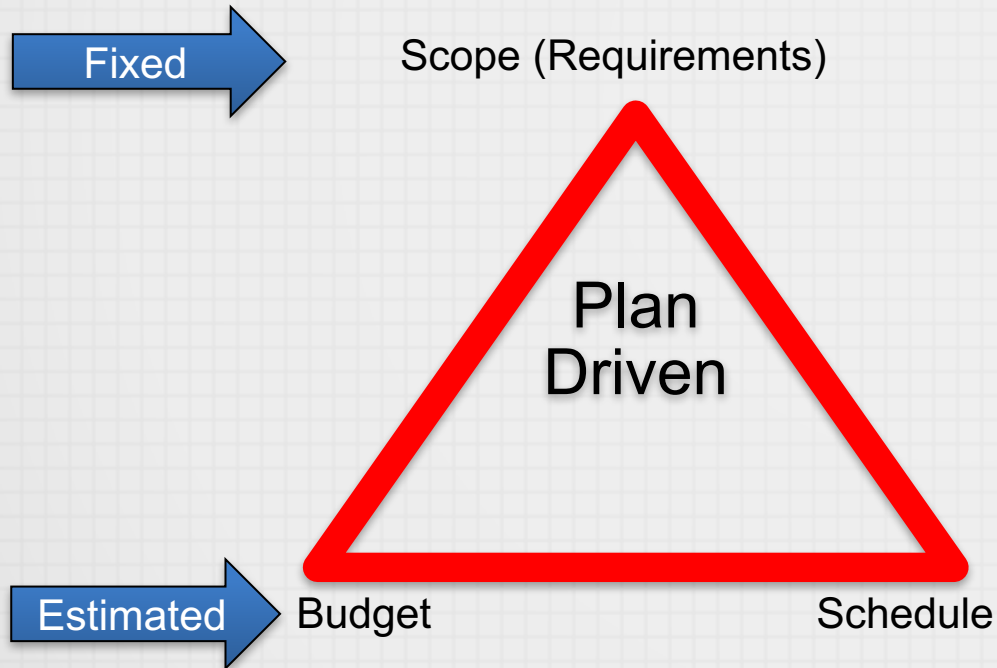
1. Budget
2. Time
3. Scope

Waterfall vs Agile

Adherence to Plan vs Delivery of Maximum Value

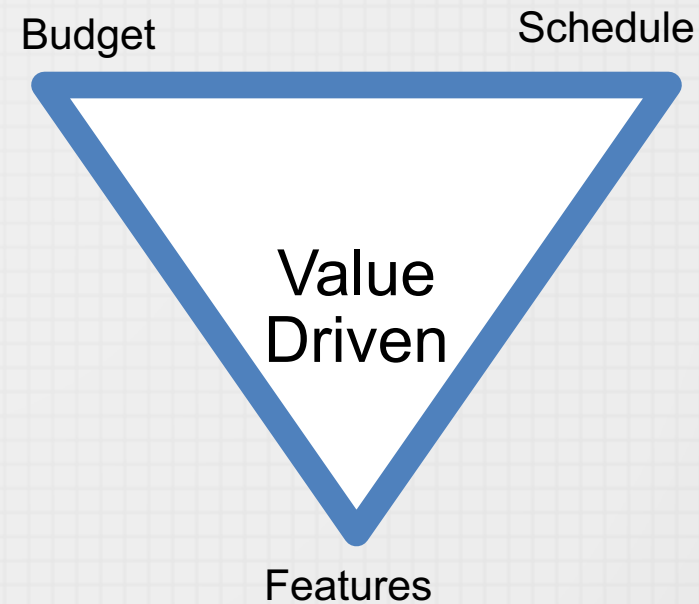
Old Approach

Create a project plan, then
**success measured by
adherence to plan.**



New AGILE Approach

**Success measured by
delivered value and quality
within existing constraints.**



Source: DSDM

Fix Time

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- Based on “real” delivery deadline
- Deliver all of the features
- And if all features cannot be delivered, then deliver a sub-set

Framing a Fixed Time Contract

Write the contract to have a fixed length with language like this

- *The engagement will begin on October 1, 2014 and will end on January 1, 2015.*
- *The hourly rate will be \$X/hr.*
- *Based on the hourly rate of \$X, and the estimate discussed, the total engagement is estimated to cost approximately \$XXX.*

Fix Budget

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- Based on max funding available
- Build and deliver until \$ = 0 ;-(

Framing a Fixed Budget Contract

Write a fixed budget contract with language like this

- *The engagement will begin at a mutually agreed upon date on or around XXX.*
- *The hourly rate will be \$X/hr.*
- *Based on the hourly rate of \$X, and the estimate discussed, the total engagement is estimated to cost approximately \$XXX.*
- *The budget for this Engagement will not exceed \$200,000 (the “Term”).*

Fix Scope

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- First, congratulate yourself!
 - You are in very rare company, truly.

- You have deep pockets and luxury of time on your side, go for it 0;-)

Framing a Fixed Scope Contract

Write the contract to have a fixed scope with language like this

- The engagement will begin at a mutually agreed upon date on or around XXX.
- The hourly rate will be \$X/hr.
- Based on the hourly rate of \$X, and the estimate discussed, the total engagement is estimated to cost approximately \$XXX.
- The agreed upon features for this engagement are: XXXX

Framing a Fixed Scope Contract

ALERT!

Ensure stakeholders understand that both time and cost can increase in order to ensure the agreed upon features are delivered.

Recommend – Fixed Time and Fixed Budget Contract

Hire an (Agile) Scrum Team

- **Fix** the number of Iterations (Sprint)
 - And **fix** the duration of each Iteration (Sprint)
- **Fix** the size of Scrum Team
 - Example:
 - **TIME:** 10 Sprints x 2 weeks/Sprint = 20 weeks
 - **COST:** Blended labor rate of \$125/hr x 10 FTEs x 20 weeks = \$1000,000
- Now it is easy to know the duration and cost for the project

How to Fix Scope?

- **But what about the scope (features) you ask?**
- Define SOE, Product Vision and High-Level Features
 - Include in RFP:
 - SOE
 - Product Vision
 - (Desired) Product Roadmap
 - (Desired) MVP
 - Initial Product Backlog
 - High level Features & Sub-features

Recommendations

Design Your Agile Contract for Success & Avoid Common Mistakes

- **Use Statement of Objectives** (aligned with Product Vision)
 - **Instead of SOW** – implies requirements are well defined/known and all of them need to be developed
- **Fix Budget**
 - **Rather than use FFP or T&M pricing** – provides weak controls; opens the door to “scope creep”
- **Explicitly define “Success” or “Acceptance”**
 - **Lack of explicit success criteria**

Thank you!

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Questions?

Thank you!

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To learn more, or to host a workshop contact:
Manjit or Madhu

contact@agilious.com

www.agilious.com