Collaborative Agile Contracts - an experience report

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Background

• In the past 8 years, BestBrains has provided
  – agile and lean consulting for software businesses, and
  – time-and-material subcontracting for software projects
• A year ago we decided to enter a new business
  – deliver software solutions
  – using agile practices
• This required us to develop an adequate contract form for such projects
Our vision for good software projects

- Customer states requirements iteratively
- Supplier delivers high quality software iteratively
- Customer and supplier collaborate
- Suboptimization is prevented
- The project is finished early with the right amount of functionality
- Risks and gains are shared between customer and supplier
Two collaborative agile software projects

• The Event Bureau
  – small, lively company
  – software for participant interactivity at top management conferences
  – 1-3 programmers since August 2008

• The Energy Corporation
  – large, traditional corporation
  – software for power plant registration
  – 3 programmers, from January to September 2009
Collaboration climate experience

- Customer and supplier help each other with specifications, testing, IT environment
- Supplier delivers software early, fixes bugs fast
- Customer changes requirements
- Customer changes priorities
- Customer decides late to value cost over scope
Our contract with The Energy Corporation

- A few pages of specification, divided into 6 separate areas of functionality
- 1 week iterations, automated tests
- Pricing:
  - Completion price is payed for each area when deployed

\[ \text{1.2M DKK}\]
\[ \text{estimated at 2400h} \]

* Prices are fictional
### Hourly price vs completion price

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<thead>
<tr>
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<th>Incentive</th>
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<tbody>
<tr>
<td><strong>Supplier</strong></td>
<td>Lower risk</td>
<td>Higher profit for smart solutions</td>
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<td><strong>Customer</strong></td>
<td>Easy to get extra features</td>
<td>Extra features are cheap</td>
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<td>Fast time to market</td>
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**Time & Material**  
Payed by the hour  
Payed at completion  

**Fixed Price**
Future learnings

• Large scope changes
  – new contract, or
  – extend estimate and completion price?

• Subcontractors
  – extend the agile contract model to subcontractors?

• Maintenance periods

• Tenders

• An early exploratory phase