

# Agile Contracts, can we make them possible?

Andrea Provaglio  
@andreaprovaglio

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## What I Do



I help IT organizations implement better ways of doing business.

I coach teams and individuals who want to improve technically and relationally.

In 20+ years in IT, I had clients in three continents and a U.S. work visa for “extraordinary abilities in Sciences”.

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## Why Contracts

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## Apparently, contracts are about...

- Operational processes
- Delivery and acceptance
- Payment cycles
- Responsibilities of the parties
- Risk management

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## Looking closer, they are about:

- Hopes
- Fears (especially)
- Collaboration
- Trust

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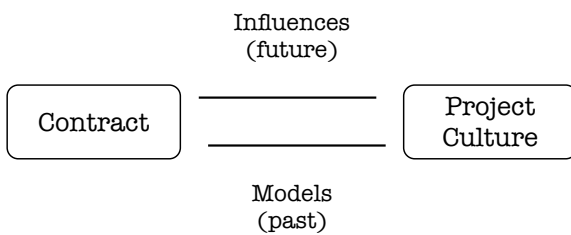
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## Contracts and Culture



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**Traditional contracts  
don't serve SD well**  
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**Wrong assumption:  
SD is like construction or  
manufacturing.**

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**Therefore:**

**FALSE**

- Project is relatively predictable
- Build all or nothing, over a long time
- Feedback will be poor
- Serious damage if project terminates before completion
- Payment cycles will be long
- Rework is impossible, or at least economically not feasible

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Contracts are written by legal professionals.

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Trained and bound to...

- Protect their clients
- Be distrustful of unrealistic expectations

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## Therefore, They Care Mostly About...

- Limitation of Liability
- Indemnification
- Price / Charge
- Intellectual Property
- Termination
- Warranty
- Service Levels
- Payment
- Delivery / Acceptance
- Confidentiality

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## Usually Untrained On...

- The nature of Software Development
- The Agile principles
- System thinking

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This, plus the lack of trust,  
leads to inadequate  
Software Development  
contracts.

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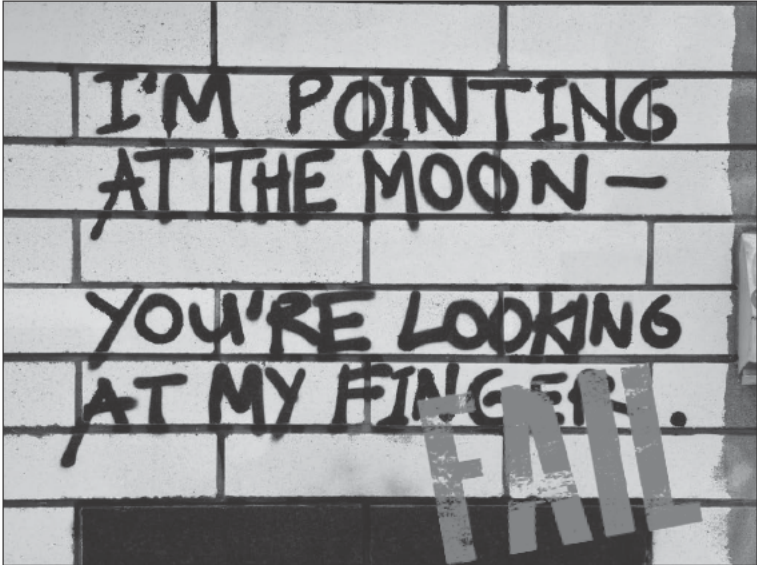
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Software  
Development is a  
Service  
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Software Development is  
about the ephemeralization  
of goods.

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Both parties are in a learning process, explorative and heuristic.

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Estimates will be inaccurate (and Agile won't fix this).

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Agile Contracts are based on Agile Principles  
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**customer  
collaboration  
over contract  
negotiation**

Create a framework for  
collaboration and trust.

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**[...] satisfy the  
customer through early  
and continuous delivery  
of valuable software.**

Promote frequent, regular  
feedback.

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**responding to  
change over  
following a plan**

Accept that the client can't  
know everything upfront  
(and doesn't want to).

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**Simplicity (the art of maximizing the amount of work not done) is essential**

Are pragmatic in their methods.

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**working software is the primary measure of progress**

Ought to keep client and contractor focused on delivery and quality.

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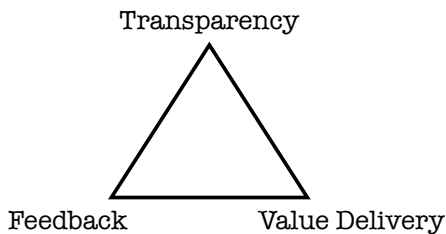
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## Building Trust



Over time your contract structure will simplify.

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## A Few Agile Contractual Forms

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### Capped T&M with Iterations

- Maximum budget is allocated, iterations have a fixed price
- Goal is defined, scope may change; time is flexible
- Each iteration will deliver working software
- Client may refuse to pay the iteration outcome -- and doesn't keep it

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### Fixed Price per Story Point

- Rough amount of effort estimated at the beginning, in story points
- Product backlog is prioritized by the client
- Story points comes at a fixed price, thus determining the maximum budget
- Each iteration delivers the stories with highest priority, story points are billed
- Client can change stories, except for the ones being developed
- Client can terminate anytime

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## Money for Nothing, Changes for Free

- Similar to Fixed Price per Story Point
- Client can walk away before completion, by paying only 20% of the work not yet done (compared to initial estimate)

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## Real-life Examples

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## Cegeka

- Fixed price or T&M to create high-level prioritized backlog
  - Estimated in story points
- Fixed price per story point
  - Plus warranty and contingency
  - Leads to budget allocation
- Stories can be replaced or dropped
  - Extra scope will be charged (extra budget)
- Client is constantly involved
  - attends Sprint planning meeting and review (every two weeks)
  - approves stories and acceptance tests
  - participates in exploratory tests (monthly)
  - responds to questions within 8 hours
- Bugs resolved in the next Sprint

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# Lunar Polska

- Paul Klipp's One Page Contract
  - Literally one page
- A contract for "Programming Services"
- Uncapped T/M with monthly billing cycles
- Client owns source code
- Contractor commits to workmanlike performance
- Intellectual property is covered
- Based on reciprocal trust and honesty

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# Resistance to Change

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# Ignorance of the Agile principles

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**Mental Models**

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**Fear**

Responsibility to innovate (managers)  
Not protecting the client (legal pros)

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**Hidden Primary Goal**

Spending people's money (public)  
Reduce risk, maximize profit (private)

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**What We Can Do**  
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**Take full responsibility of  
the contracts we sign.**

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**Be Agile before signing an  
Agile contract.**

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Recognize and respect the client's resistance to change.

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Help the client and legal professionals understand Agile, for the client's sake.

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Promote collaboration through transparency, feedback and value delivery.

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Focus on delivery first,  
legally manage risk next.

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Be creative.

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We're Done  
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## To Wrap It Up

- Take responsibility of what you sign and of its nature
- Respect and understand the resistance to change
- First promote delivery, collaboration, feedback and trust; manage fears next
- Be Agile and explain the business benefits
- Be creative

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## Thank You!



[http:// andreaprovaglio.com](http://andreaprovaglio.com)  
[http:// beyondagile.com](http://beyondagile.com)

Also on:



LinkedIn



Twitter



Slideshare

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## Acknowledgements

- Thanks to these friends and colleagues:
  - Paul Klipp (Lunar Polska)
  - Johan Lybert (Cegeka)
  - Maria Diaconu (Mozaic Works)
  - Stefano Leli and Roberto Lupi
- References
  - [http:// agilecontracts.org](http://agilecontracts.org)
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