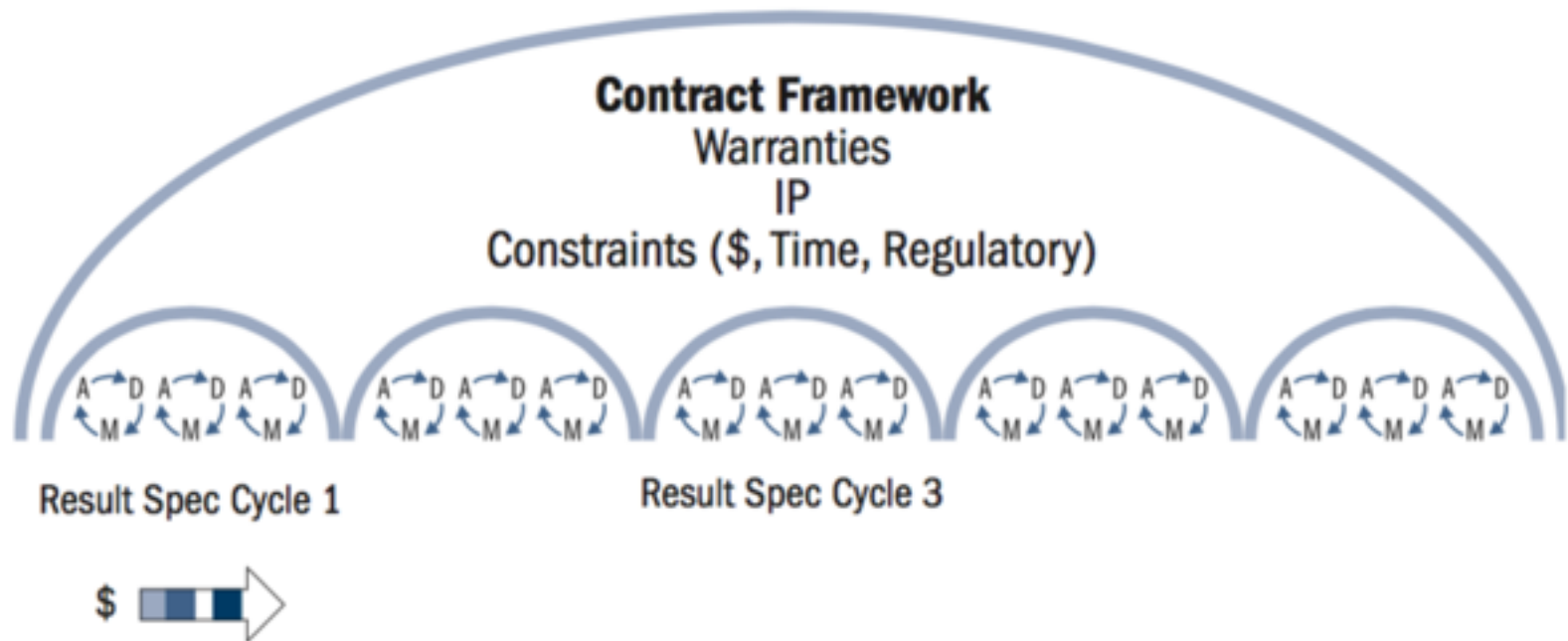


CONTRACTING FOR VALUE

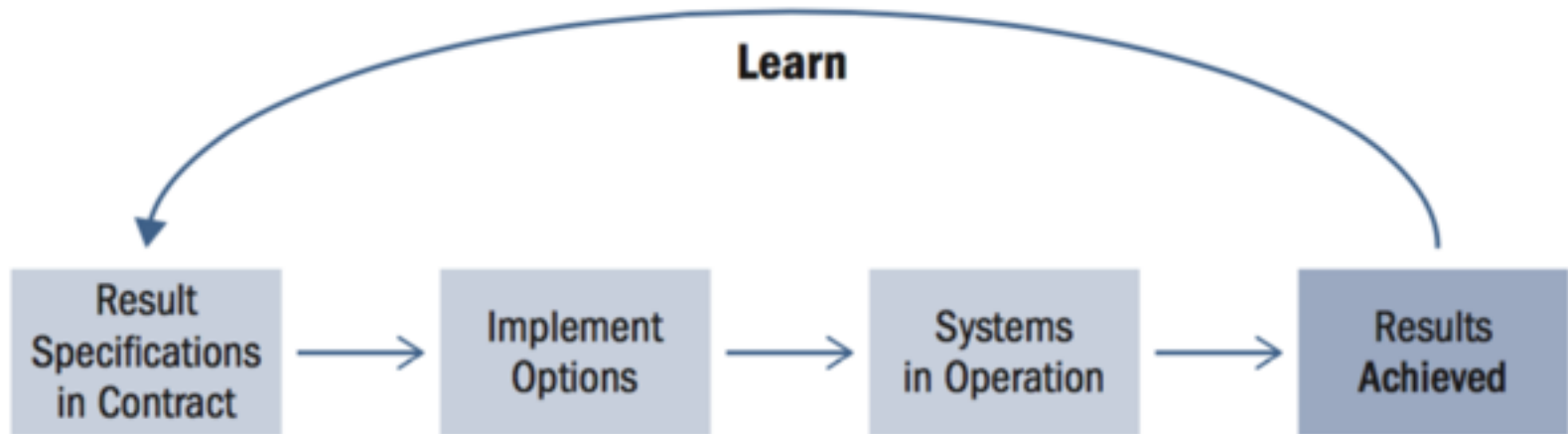
Version May 26 2015

Tom@Gilb.com

Contract Framework



Result Contract Structure



Old way and new Way

Traditional Contract Model	Result Contract Model (Agile)
Requirements are contractual and specified up-front in the main contract.	Requirements are specified at the start of each result cycle.
Changes are managed by means of the change control mechanism.	Requirements are more resistant to change than traditional output requirements. Target outcomes are only specified at the start of each result cycle, are operational for shorter periods of time, and therefore are exposed to less change.
Analysis, design, development, and testing occur sequentially. Big Bang or Waterfall.	Each cycle must deliver value, so design and development occur concurrently. A systems view must be taken, providing real results in real life.
An all or nothing solution.	The solution evolves as a series of result deliveries.
Constituent modules of software are worked on independently until integration takes place.	There is continuously working and stable software and hardware system.
Testing is used as a contractual tool at the end of the development process.	Testing occurs throughout the development process, providing feedback for improvements.
Success is measured by reference to conformance with the change-controlled contract.	Success is measured, cycle by cycle, by requirements delivered, driving value to the customer.

WHAT IS A FLEXIBLE CONTRACT?

WHAT IS A FLEXIBLE CONTRACT?

A 'flexible contract' is an approach to contracting that achieves this in several ways:

The contract focuses on business results (rather than on specific features). By focusing on business results, the contract helps to align their interests.

The supplier is given the freedom to deliver the terms of the contract and to innovate.

The fees (or at least part of them) are incentivized to achieve the business results.

The contract is structured as a Statement of Work, under which the parties can respond to a changing environment.

In respect of each SOTO, the parties can learn rapidly what works and what doesn't.

The contract adopts light touch governance. SOTO at a time, so the focus is on business results. The contract is easier to understand and deliberately NOT focused on specific features.

Define what you want, as you go, in small increments.

Learn what works

Focus on business results, not 'code'

Pay for real value delivered

Prioritize high value results early.

Very low risk

Not tied in to suppliers who cannot deliver

SOTO Specification

(from contract template)

short-term Statements Of Target Outcomes

SOTO Completion Date	<i>NOTE: Please state not applicable if this is not being used.</i>
The problem or opportunity to be addressed	
The Business Objectives	
The Target Outcomes	<i>NOTE: These should be in line with the Business Objectives. They should be bullet points only and listed in order of priority.</i>
The Constraints	<i>NOTE: Examples include design constraints, minimum quality constraints, budget constraints, schedule constraints, resource constraints.</i>
Customer responsibilities	<i>NOTE: This should include any support, facilities and information, including any requirements for execution of the Options, which are to be provided by the Customer.</i>
Time frame for provision of feedback by the Customer	
Early termination payment	

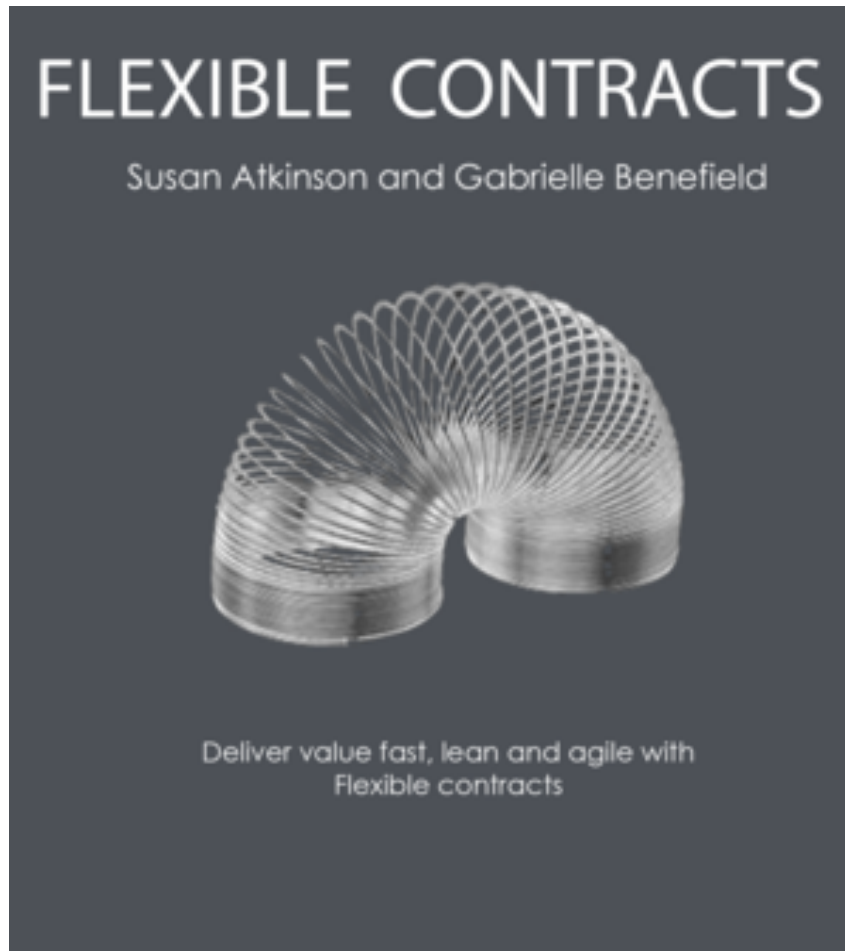
(from contract template)

Target Outcomes

[COMPLETE THE FOLLOWING TABLE FOR EACH TARGET OUTCOME]

Name of Target Outcome:	In the form Action Verb + Noun Phrase
Outcome Value:	Time or money over a defined period
Outcome Measure: <ul style="list-style-type: none">• Unit of measure:• party responsible for conducting measurement:• Method for measurement:• Frequency of measurement:• Baseline (starting point):	<p>i.e. the metric used to measure e.g. time, percentage or number</p> <p>i.e. a named person or group responsible for conducting the measurement e.g. the Customer</p> <p>i.e. the systems used to collect data or the tests that will be run e.g. data analytics report or usability tests for target users</p> <p>i.e. The period of time when measurements will be taken e.g. every [2 weeks] with their end-users</p> <p>i.e. the baseline that will be used as the starting point against which to compare results</p>

Credits for most slides to



Forthcoming Book

- www.flexiblecontracts.com
- <https://www.linkedin.com/groups/Flexible-Agile-contracts-7460556/about>
- www.mobiusmodel.org
- I have been working together with Susan Atkinson and Gabrielle Benefield for several years regarding these ideas.
- So it is no surprise that they are very complimentary to the Evo and Planguage methods in my writings, such as
- Competitive Engineering (2005), and Value Planning (2014, manus)

References

www.flexiblecontracts.com

- [1] Highly recommended in-depth analysis of good and bad agile practices, even if you are NOT in the public sector: Wernham, Brian. *Agile Project Management for Govern- ment*. Maitland and Strong.
- [2] Gilb, Tom. “The Top 10 Critical Requirements are the Most Agile Way to Run Agile Projects”. *Agile Record*, Au- gust 2012, 11: pp. 17-21. <http://www.gilb.com/dl554>
- [3] Gilb, Tom. “No Cure No Pay.”
http://www.gilb.com/tiki-download_file.php?fileId=38
- [4] Gilb, Tom. “Chapter 5: Scales of Measure.” *Competitive Engineering*.
http://www.gilb.com/tiki-download_file.php?fileId=26
- [5] This initiative is a draft idea and would welcome coopera- tion and feedback from people who would like to try it out in practice!
www.flexiblecontracts.com
- [6] Gilb, Tom. “Real Architecture Engineering.” Lecture slides from ACCU Bristol, April 2013.
<http://www.gilb.com/dl574>