

Successful Contracts

Software Metrics in Contracts

IWSM Mensura 2019

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Agenda

- Introduction
- Status of the guideline
- Business Sponsor perspective (Hans Vonk)



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People contributed to the guidelines



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Why a Guideline

- Outsourcing software projects keeps a challenge
- Organizations struggle to select the best supplier
 - Lack of objective criteria
- Attempts to use software metrics often fail
 - Lack of standards / guidelines / best practices
 - (Wrong) software metrics are used in a 'wrong' way
- Some organizations select a 'wrong' supplier, resulting in 'failing' projects
- Low maturity in cost engineering practices – Main topic IWSM 2019
- Lack of cooperation between different stakeholders



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Scope of the guideline

- Software development + Software maintenance
 - Waterfall, Agile/Scrum, DevOps
- IFPUG/COSMIC/NESMA function points
- Product quality based on ISO 25010
- Technology independent
- Contracting phase (e.g. RFI / RFP)
- Execution phase
- Benchmarking

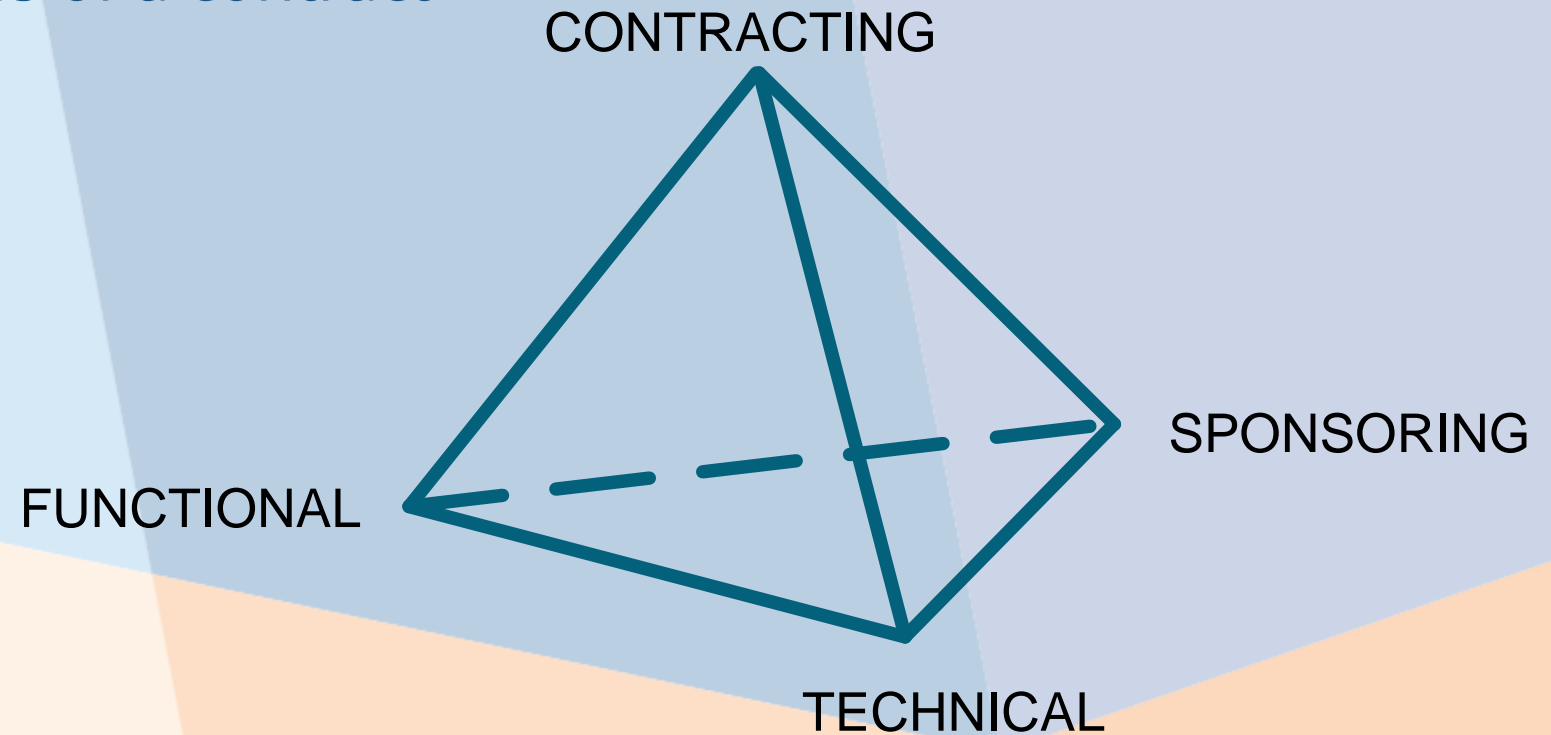


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the 4 dynamic perspective of managing contracts

- Previous, 13 mini guides were planned and partially released
- We found a better solution to help the different stakeholders:
 - The 4 perspectives of a contract



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Status of the guides

- Successful contracts, The Contracting perspective
- Successful contracts, The Functional perspective
- Successful contracts, The Technical perspective
- Successful contracts, The Business Sponsor perspective

In addition, the following guides support the pyramid Successful Contracts

- Guide RFP questions based on metrics
- Guide for assessing supplier performance
- Guide for Technical Quality
- Guide for Management



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Successful contracts

**The business sponsor's
perspective**

Desired Outcomes for this presentation

My desired outcome is that you will:

- make a shift in your thinking about what is needed to run successful contracts and projects;
- visit the NESMA stand or website to look for and order our guides;
- start using the ideas.



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Software development is still problematic

Conclusions of the Dutch Parliamentary Investigation ICT (ELIAS Committee):

- *“The Dutch government has insufficient control over most of their own IT projects. Many projects fail....”.*
- “Urgent need to improve the **management of contracts** and specifically the execution of software projects... ”.
- This investigation resulted in new Bureau for ICT Toetsing (Review of development programs) called BIT.



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“The IT industry is not able to solve the problem on its own.”



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*“Success is delivering value
to the organization.”*



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A structural different way of thinking



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Role of the Business (Sponsor)

It is the Business sponsor's responsibility to deliver this value into the operational environment of the organization.

The sponsor initiates and signs a contract (the business case) in which (s)he promised to deliver this value in return for resources.

The success of the sponsor is highly dependent on how clearly the business outcomes, benefits, values, costs and risks are defined, accepted and documented in the business case.



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Need for change how we measure success

The current measures of success is primarily on cost and time
– *the inputs to the project*

Business doesn't want a software system, they want a
working-just-right operation environment - *out of the project* - the
value delivered



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*“The Business Case is the basis
for a successful contracts”*



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Business case: the basis for successful contracts

A business case is a contract between sponsor and the organization for delivering the desired outcomes, benefits and values for the investment made – cost, resources and time.
(In that order !)

Contract(s) with external suppliers must be fully aligned with the Business Case.

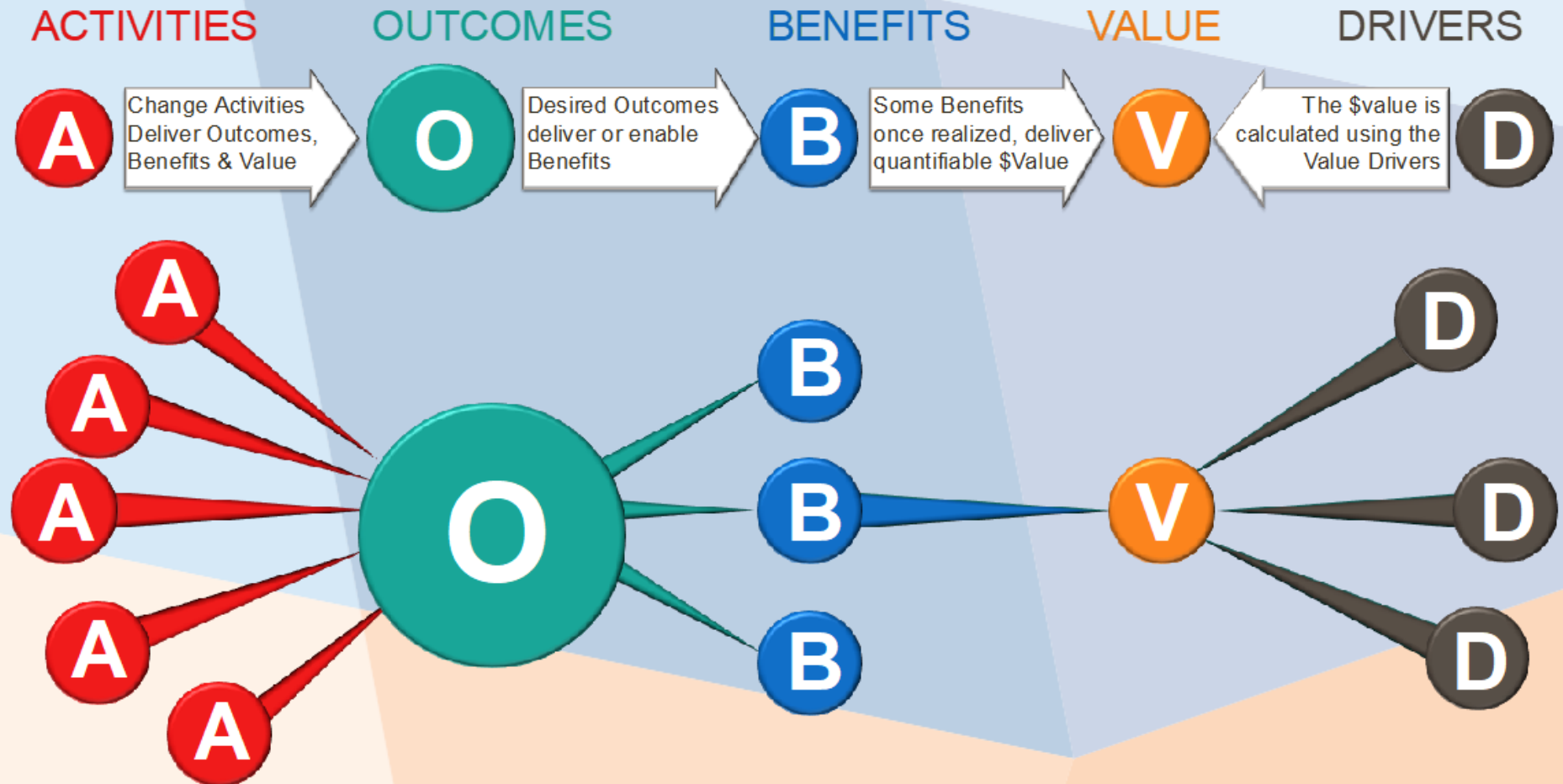
Suppliers usually deliver a subset of the overall business case.



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The TOP Value Equation™ provides a simple tool to define project value



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The desired
business outcome

**“We accurately invoice all service calls
within 24 hours of completion”**

The associated
business benefits

- Reduced working capital through invoices being raised earlier and collected faster with fewer delayed payments
- Reduced level of customer billing complaints through invoices being raised earlier

The financial value

€ 3,210,000 over 3 years per financial model calculation

The Value drivers

- Number of outstanding invoices
- Average value of invoices
- Average number of days outstanding
- Interest rates (cost of capital)



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Thanks



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