

# **Managing Agile Procurement**

## **Determining need and selecting a vendor**

On agile projects, procurement starts when the development team decides it needs a tool or the services of a third-party to create the product.

# **Understanding cost approaches and contracts for services**

## Cost structures

When you are procuring services for an agile project, it is important to know the difference between a *fixed-price* project, a *fixed-time* project, a *time-and-materials* project, and a *not-to-exceed* project. Each approach has its own strengths in an agile setting:

» **Fixed-price project:** Starts out with a set budget. In a fixed-price project, a vendor works on the product and creates releases until that vendor has spent all the money in the budget or until you have delivered enough product features, whichever comes first.

For example, if you have a \$250,000 budget, and your vendor costs are \$10,000 a week, the vendor's portion of the project will be able to last 25 weeks. Within those 25 weeks, the vendor creates and releases as much shippable functionality as possible.

» **Fixed-time project:** Has specific deadlines. For example, you may need to launch a product in time for the next holiday season, for a specific event, or to coincide with the release of another product. With fixed-time projects, you determine costs based on the cost of the vendor's team for the duration of the project, along with any additional resource costs, such as hardware or software.

» **Time-and-materials project:** Is more open-ended than fixed-priced or fixed-time projects. In a time-and-materials project, your work with the vendor lasts until enough product functionality is complete, without regard to total project cost. You know the total project cost at the end of the project, after your stakeholders have determined that the product has enough features to call the project complete.

For example, suppose your project costs \$10,000 a week. After 20 weeks, the stakeholders feel that they have enough valuable product features, so your project cost is \$200,000. If the stakeholders instead deem that they have enough value by the end of 10 weeks, the project cost is half that amount, \$100,000.

» **Not-to-exceed project:** Is a project in which time and materials have a fixed-price cap,

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## **Contract creation**



At the very least, most contracts have legal language describing the parties and the work, the budget, the cost approach, and payment terms. A contract for an agile project may also include the following:

- » **A description of the work that the vendor will complete:** The vendor may have its own product vision statement, which may be a good starting point to describe the vendor's work. You may want to refer to the product vision statement in Chapter 7.
- » **Agile approaches that the vendor may use:** They may include
  - Meetings that the vendor will attend, such as the daily scrum, sprint planning, sprint review, and sprint retrospective meetings
  - Delivery of working functionality at the end of each sprint
  - The definition of done (discussed in Chapter 9): work that is developed, tested, integrated, and documented, per an agreement between the product owner, the development team, and the scrum master
  - Artifacts that the vendor will provide, such as a sprint backlog with a burndown chart for status



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- People whom the vendor will have on the project, such as the development team
- Where the vendor will work, such as on-site at your company
- Whether the vendor will work with its own scrum master and product owner, or if it will work with your scrum master and product owner
- A definition of what may constitute the end of the engagement: the end of a fixed budget or fixed time, or enough complete, working functionality

»» **For a vendor that doesn't use an agile approach, a description of how the vendor and the vendor's work will integrate with the buyer's development team and sprints.**

**Working with a vendor**

## Closing a contract

After a vendor completes work on a contract, the buyer's scrum master usually has some final tasks to close the contract.