



creuna

Making the case for Shared Risk Contracts!

September 3rd 2014

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Agenda

- 1 About Creuna
- 2 What not to do
- 3 The true nature of budgets and deadlines
- 4 Contract models
- 5 Tracking and reporting
- 6 Take-aways

About Creuna

Kort om Creuna

Type

Nyere bureautype.
Digitalt udspring.
Full-service.

Alder

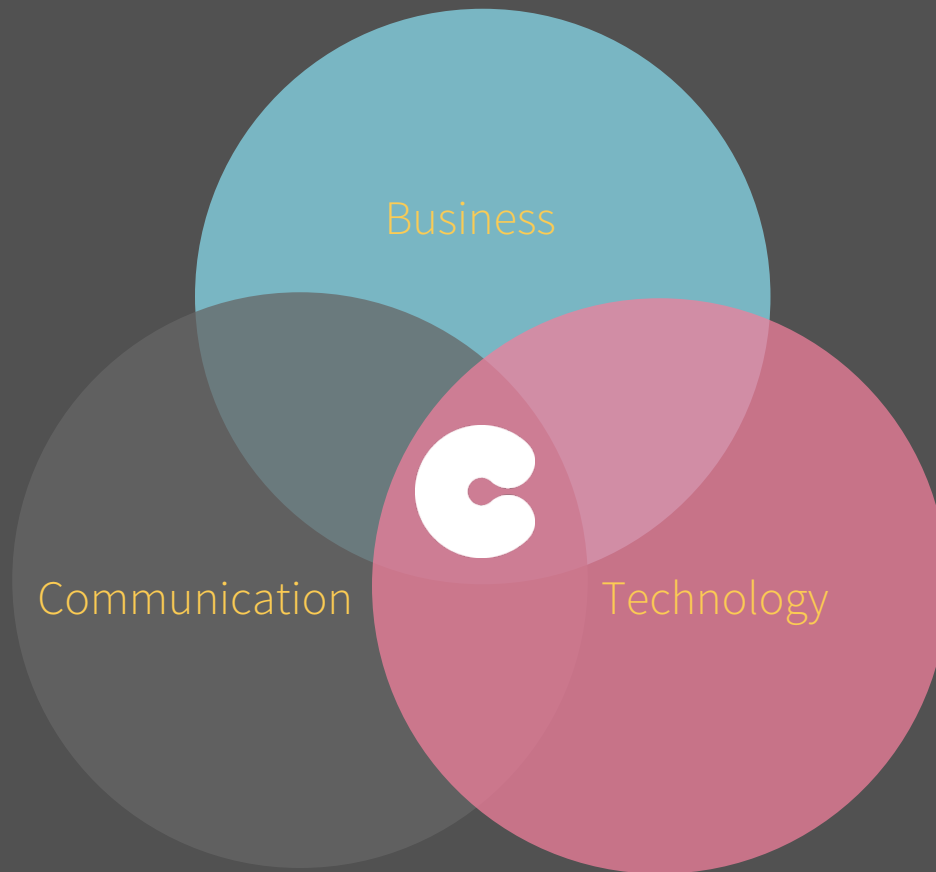
Født digital i 2001.

Størrelse

340+ ansatte. 7 kontorer i alle 4
nordiske lande. Største bureau
af vores art i Norden.
Ca. 90 i Danmark.



Forretning, design og teknologi – under ét tag.



Vores kompetencer

St

**Strategy
services**

Ic

**Ideation &
concepts**

Ux

**User
Experience**

Bd

**Branding
& Design**

Ct

**Content
production**

Sd

**System
development**

Ia

**Insights &
Analytics**

Pm

**Project
management**

Du finder os her



Vores kunder



Known knowledge



What not to do

This time we will be “Agile”



It's not waterfall – we are using User Stories!



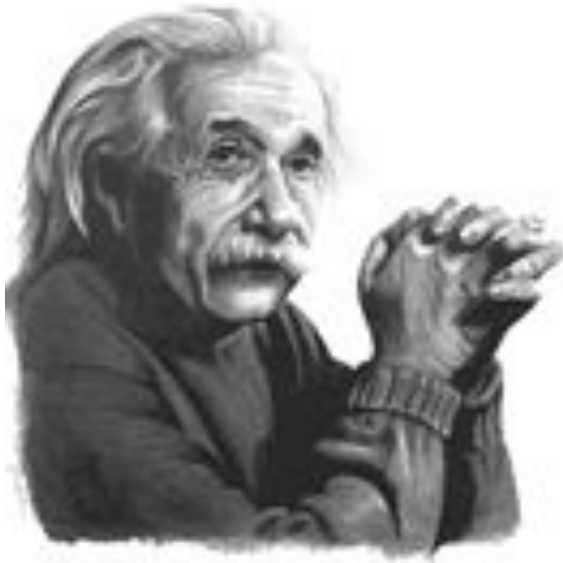
Next week we will have a 3 day estimation workshop



3 years and 186 user stories later



This time we know what we want



"Insanity:
doing the same thing
over and over again
and expecting
different results."

Albert Einstein

But, “Guesstimate” is not a real word



**Well, we spent your money but we
are not quite there yet...**



Fixed price, fixed scope deadlines



Why do we make the same mistakes again and again and again?



YOU CAN'T MAKE THE SAME
MISTAKE TWICE. THE SECOND
TIME IT'S NOT A MISTAKE. IT'S

KCGRAPHICS.TUMBLR.COM

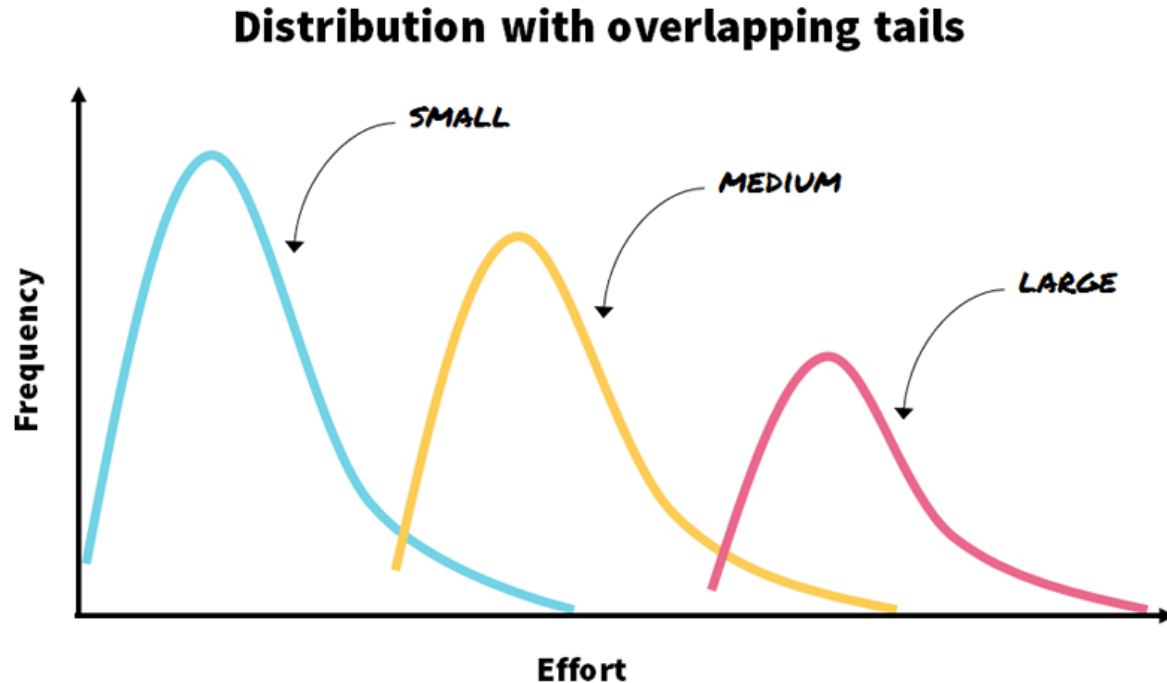
a choice

**MANY TIMES, WHEN WE
FINALLY BREAK A
CONSTRAINT, WE DO NOT GO
BACK AND REVIEW AND
CHANGE THE RULES AND
POLICIES THAT CAUSED THE
CONSTRAINT INITIALLY**

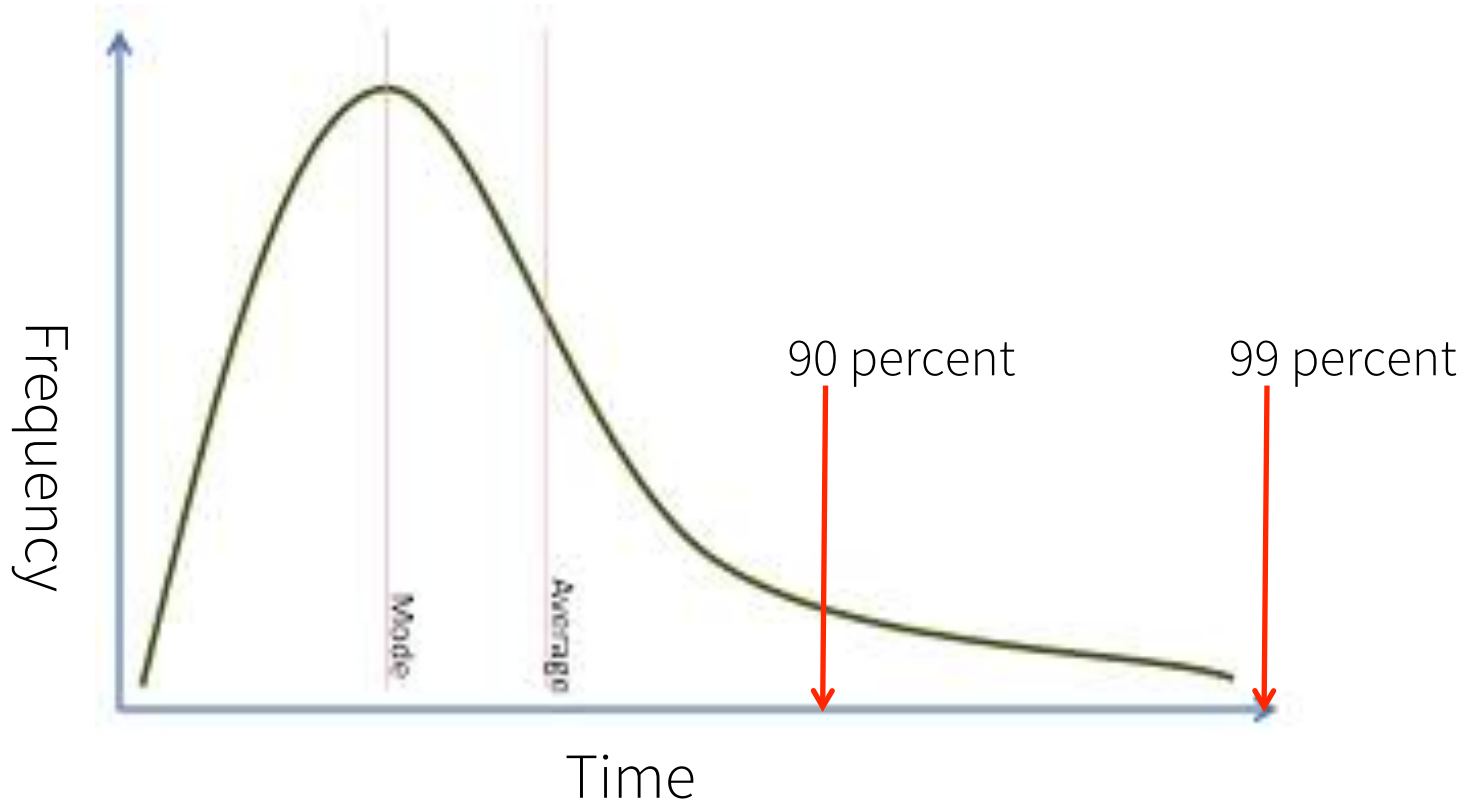


The true nature of budgets and deadlines

Estimates are not single numbers



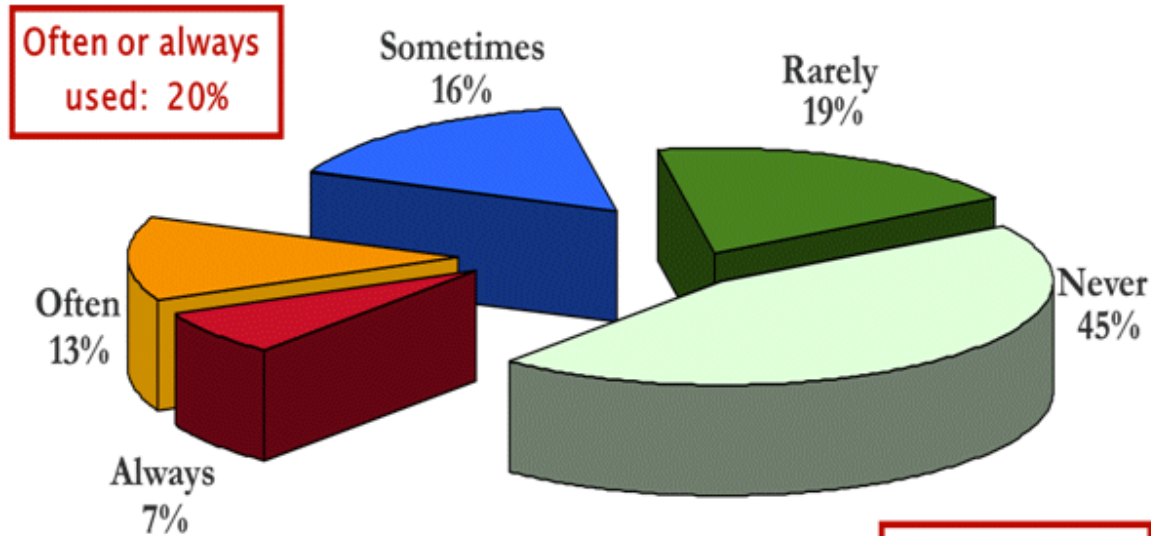
Neither are deadlines



Business needs will be missing



Front loading provides 100 percent lost effort guarantee



Rarely or never
used: 64%

Standish Group Study Reported at XP2002 by Jim Johnson, Chairman
© 2004 Poppendieck LLC

**Don't fight the
laws of nature**

IT is not manufacturing

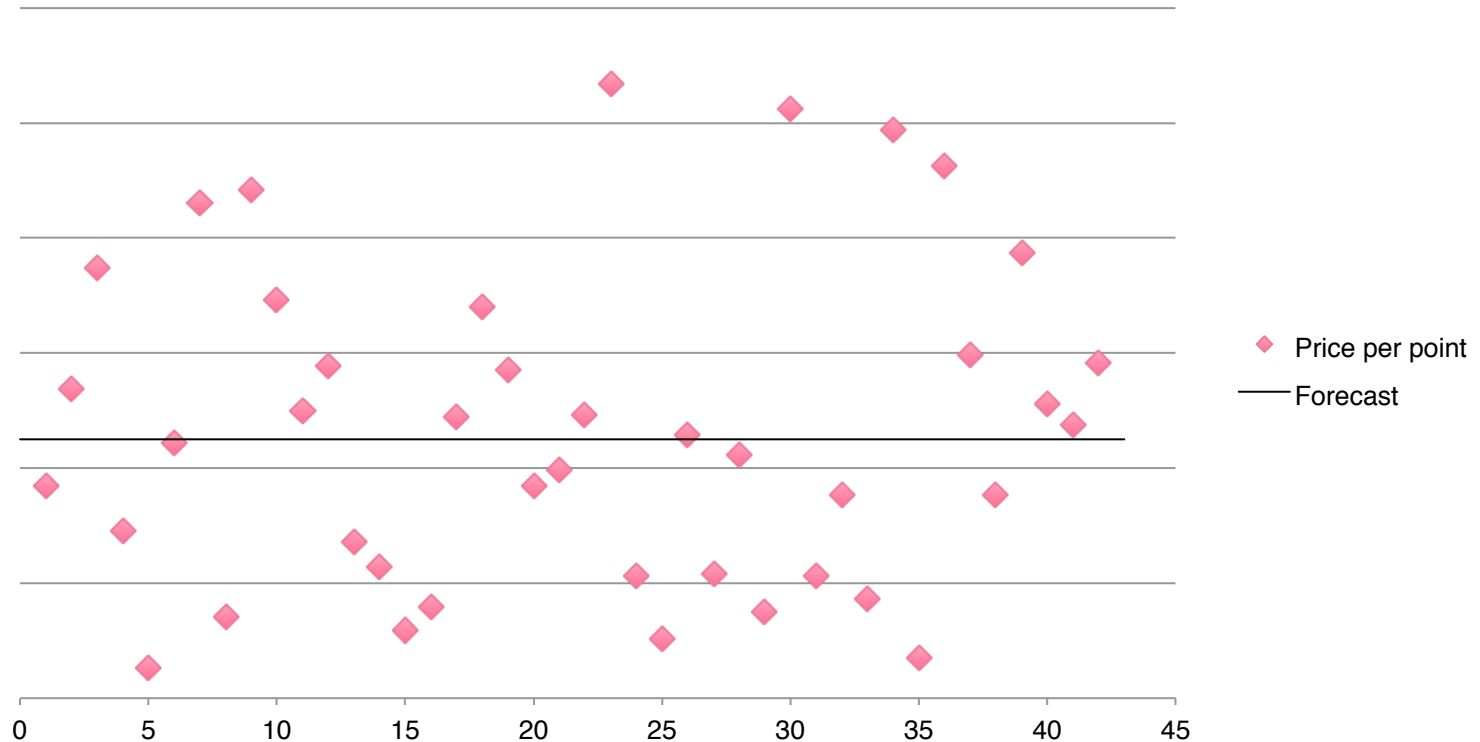


Embrace uncertainty

**Uncertainty will always be part of
the taking charge process.**

- Harold S. Geneen

Variability pooling – the good news



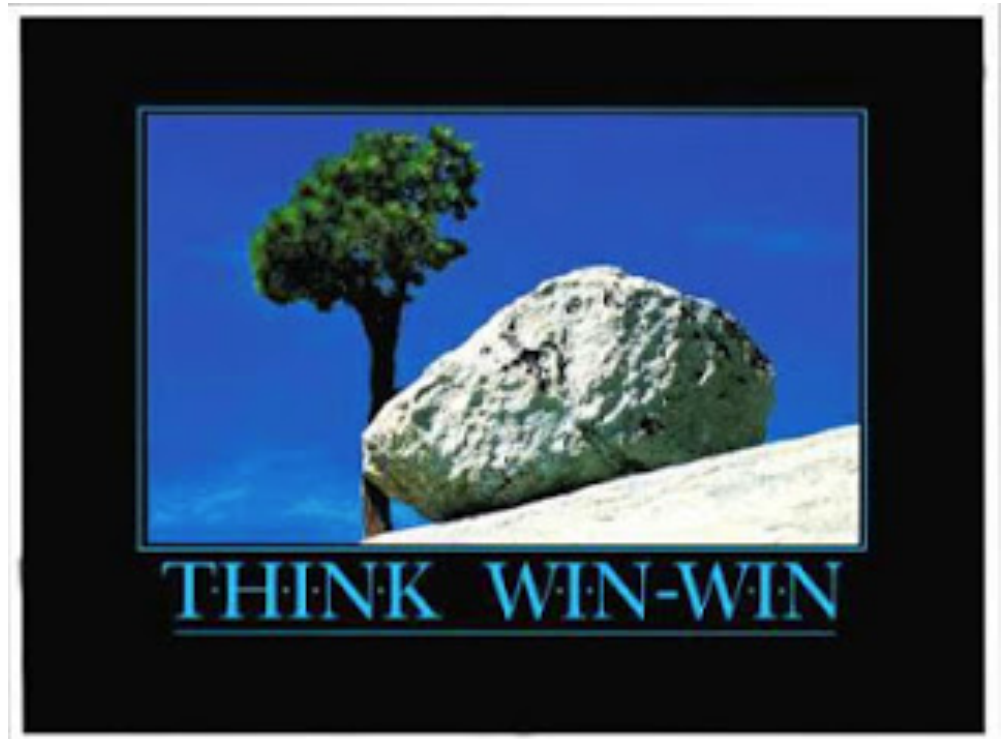
How we work

Creuna Way of Work

- Get to know each other
- Learn the domain
- Conceptualize
- Set a target budget and choose shared risk model
- Iterate



It is a partnership



With multidimensional risk



Contract models

It starts with the contract



What is wrong with Time & Materials?





Why Shared Risk?



Target Cost



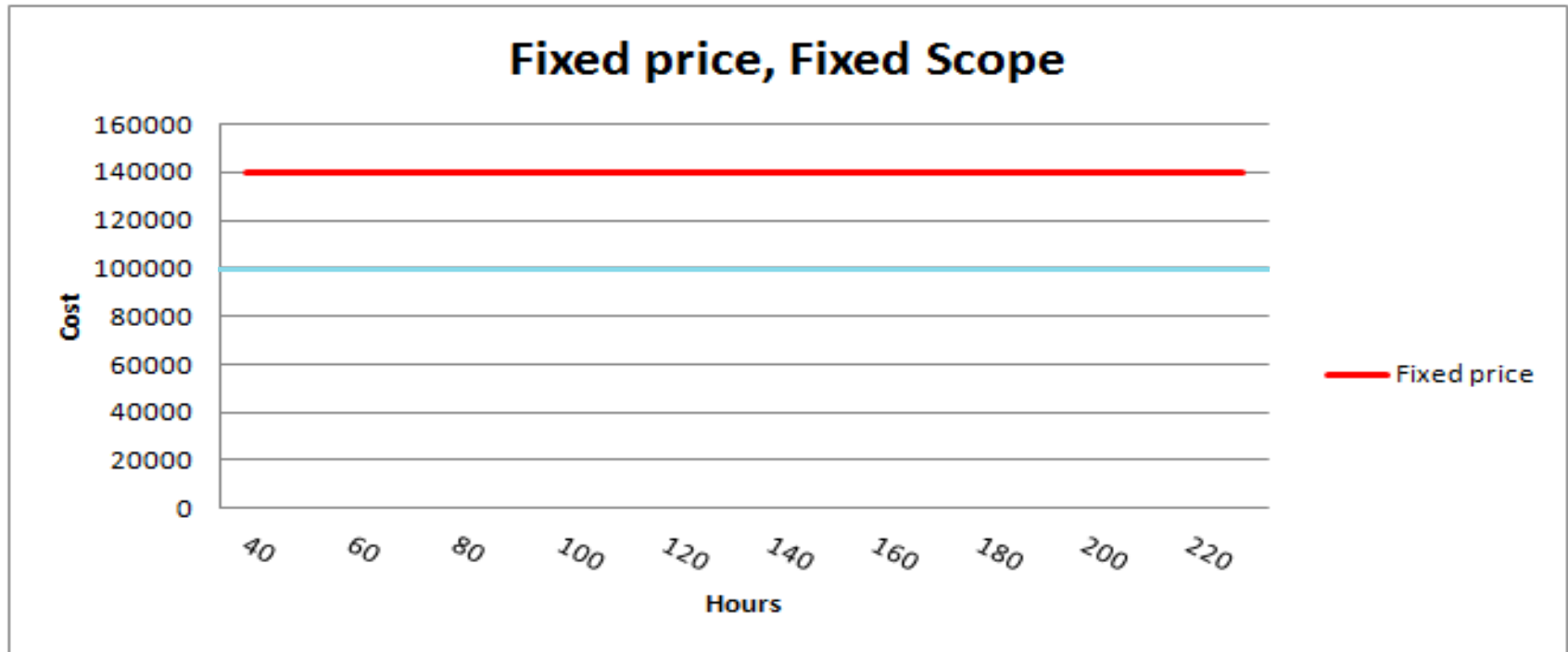
Max. price



Fixed Price, "Loose" Scope

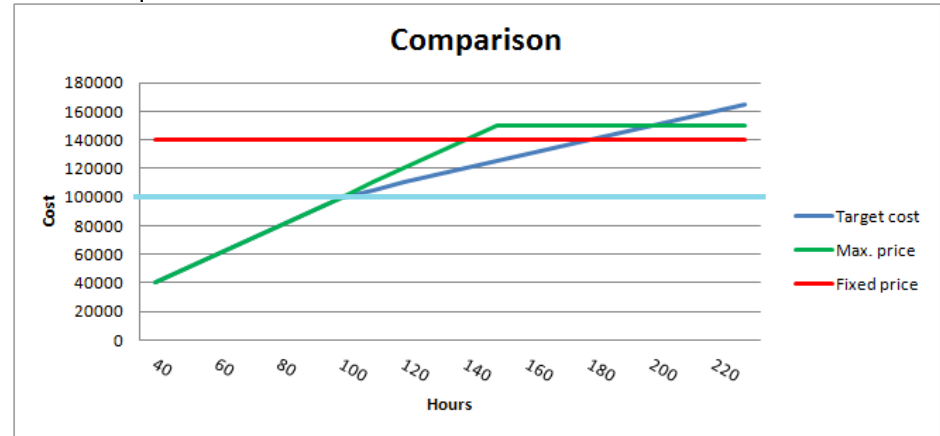


Fixed price, Fixed scope



Comparison

- Target cost is the cheaper option in most cases
- Both Target cost and Max. price are value focused
- Fast feedback and close customer collaboration are essential success factors and can be seriously challenged by fixed price contracts



Finding the “right” Target Cost

Base it on ROUGH estimation of business needs



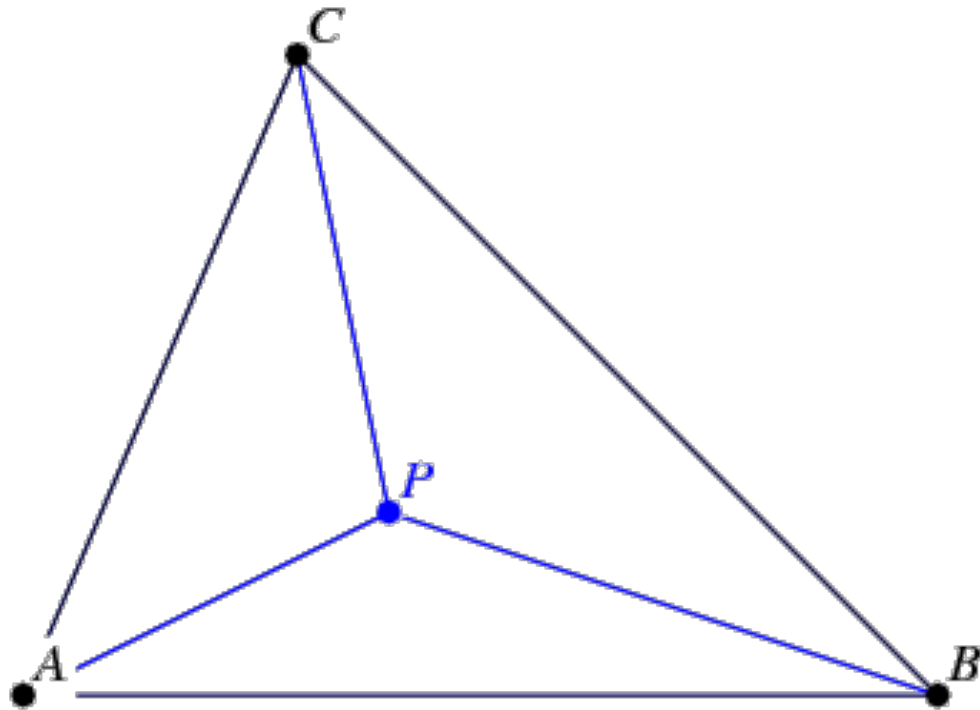
Best, worst and realistic scenario



Be data driven!



Triangulate



Communicate the uncertainty clearly

- Example 1:

- Target DKK 600.000
- Spent 600 hours at DKK 1000 each
- Invoiced DKK 600.000

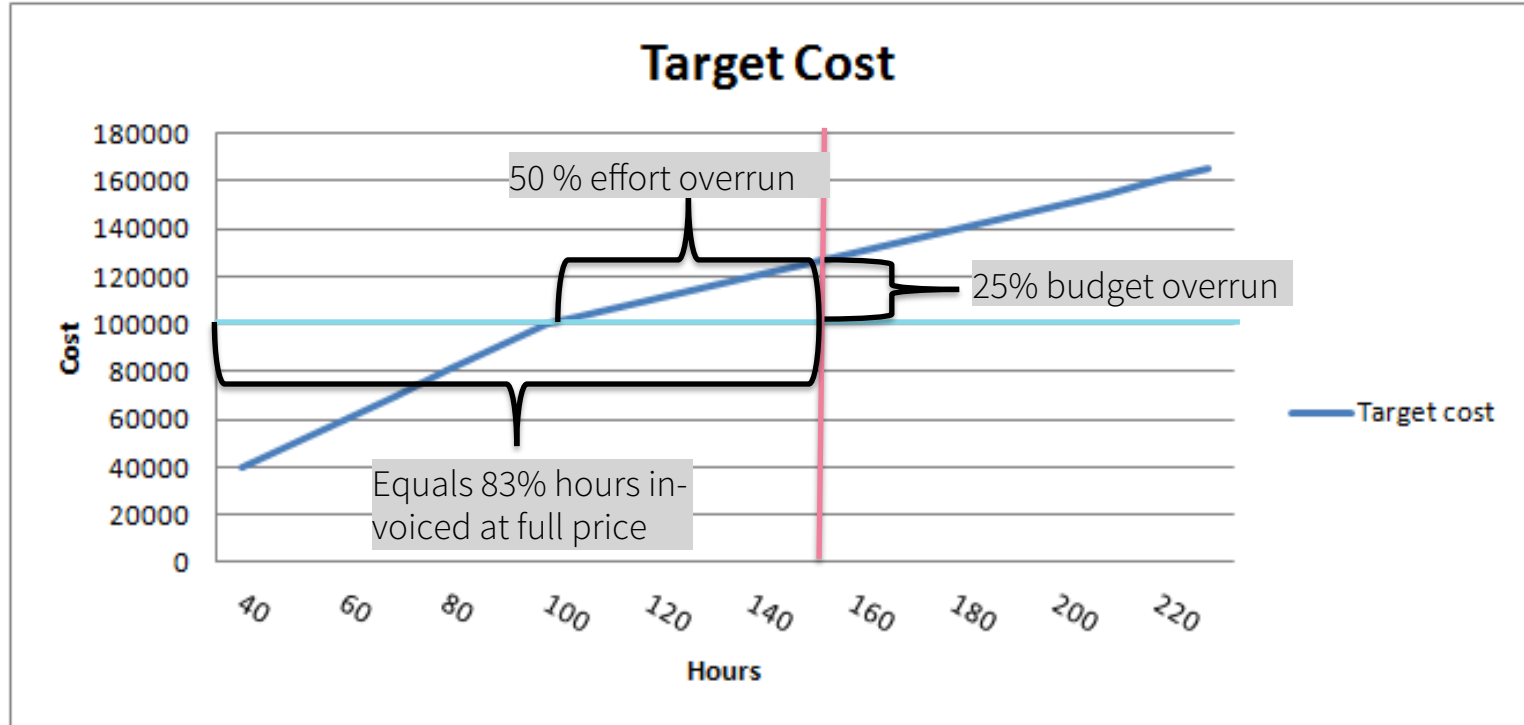
- Example 2:

- Target DKK 600.000
- Spent 400 hours at DKK 1000 each
- Invoiced DKK 400.000

- Example 3:

- Target DKK 600.000
- Spent 800 hours at DKK 1000 each
- Invoiced DKK 700.000

Perfect is the enemy of good enough



First time vs. on going



Tracking and reporting

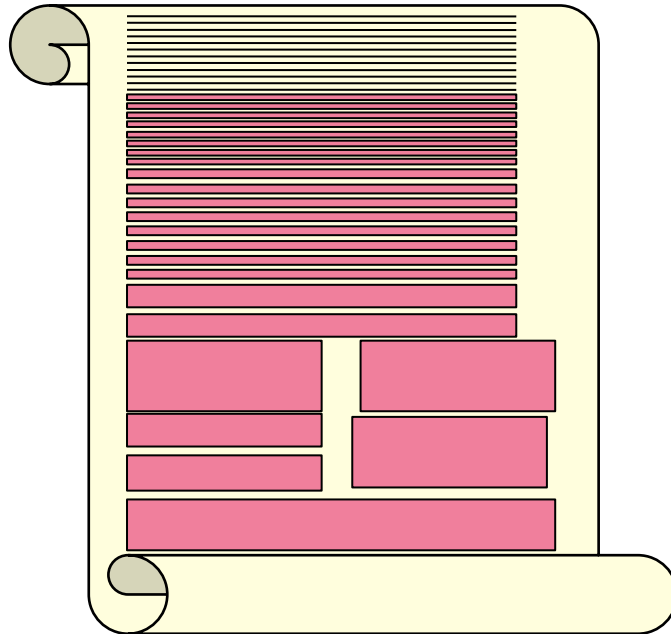
No matter the contract model you need to be proactive



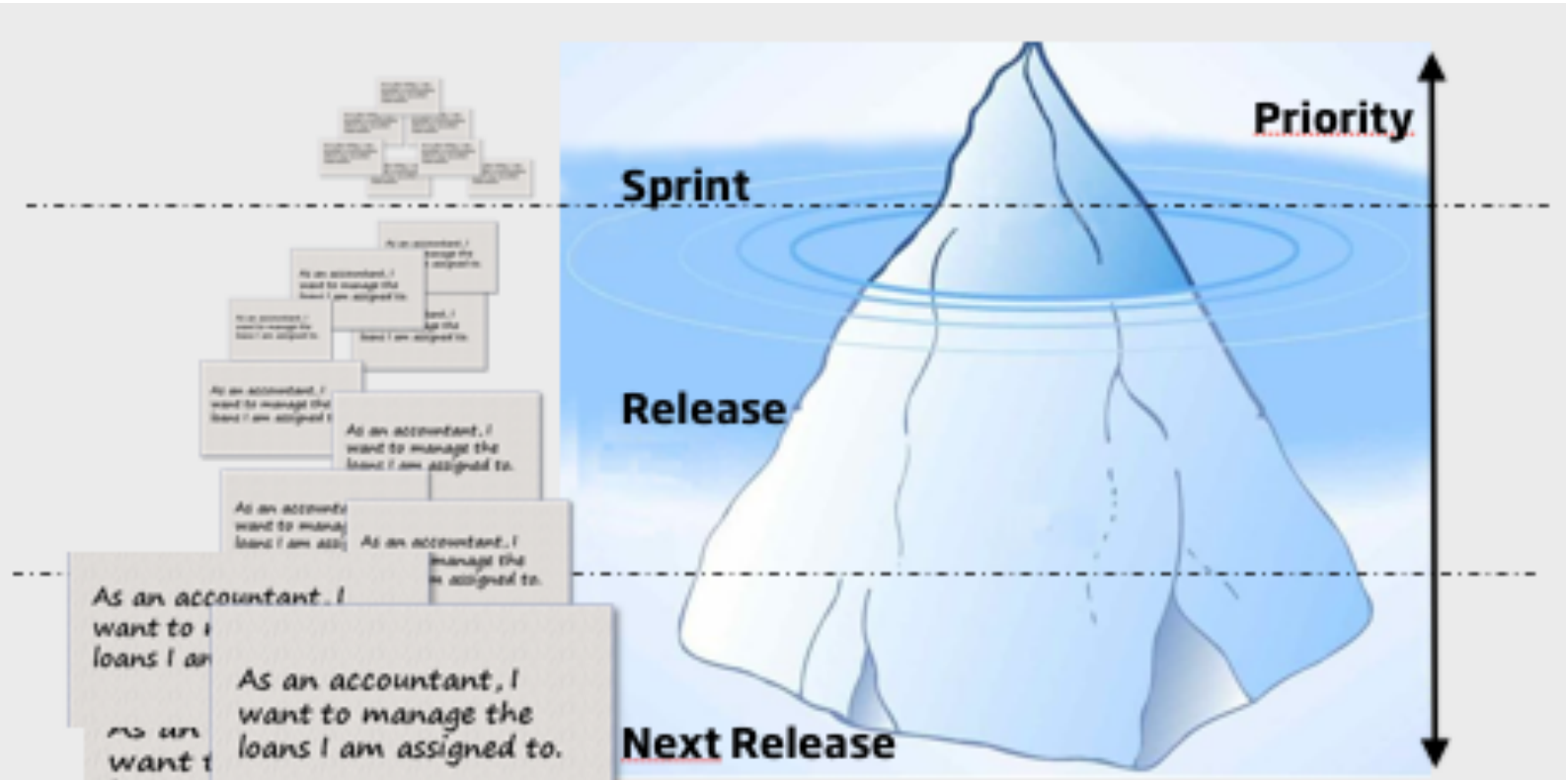
Oh no, that means discipline!



**Fortunately real backlogs do not
look like this**



But more like this

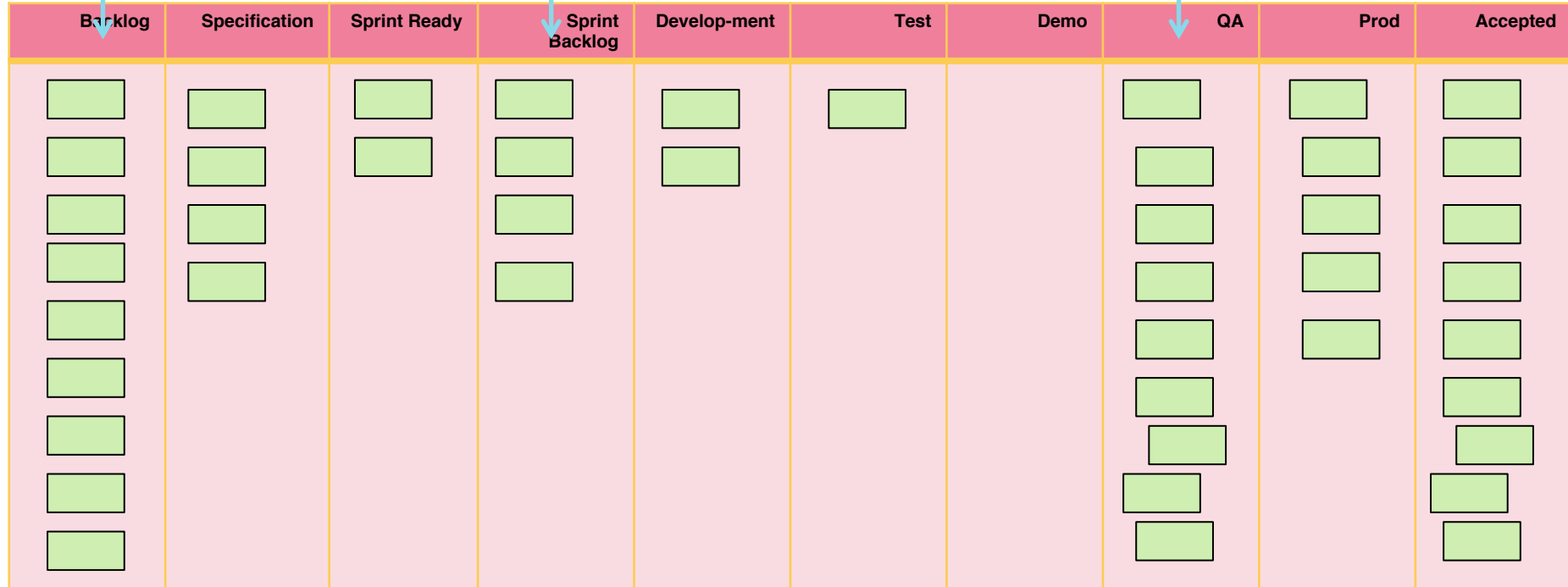


Predictability

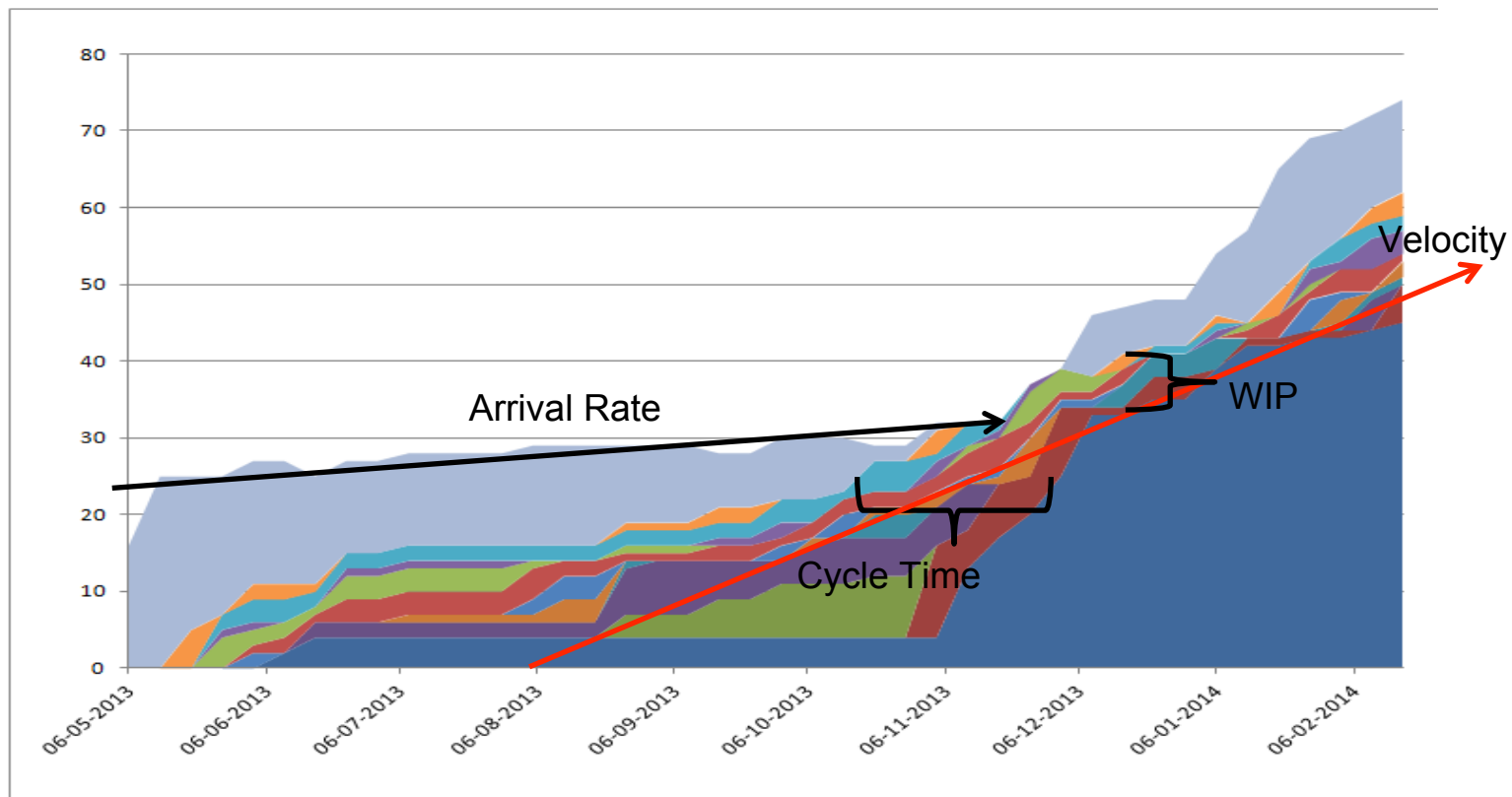
Really we want it here

Too many focus here

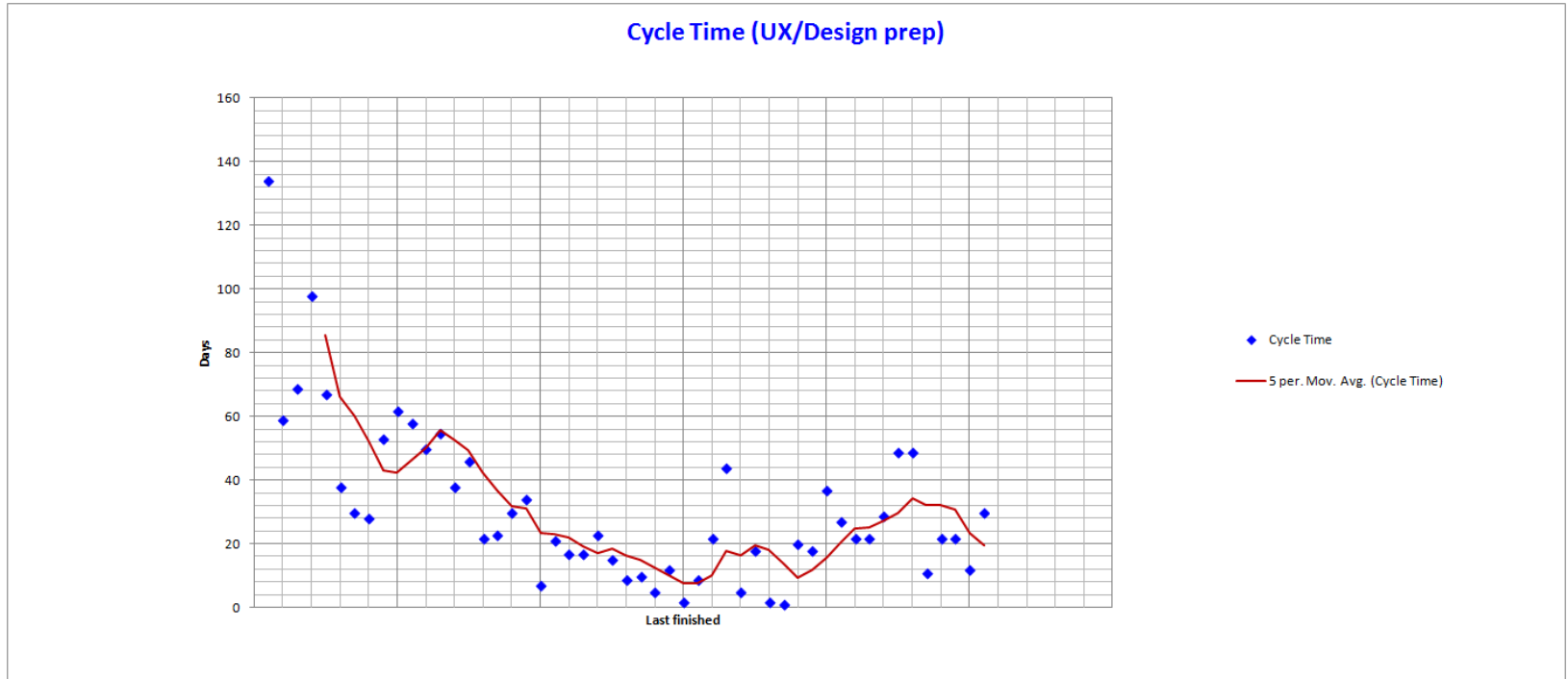
Easy from here



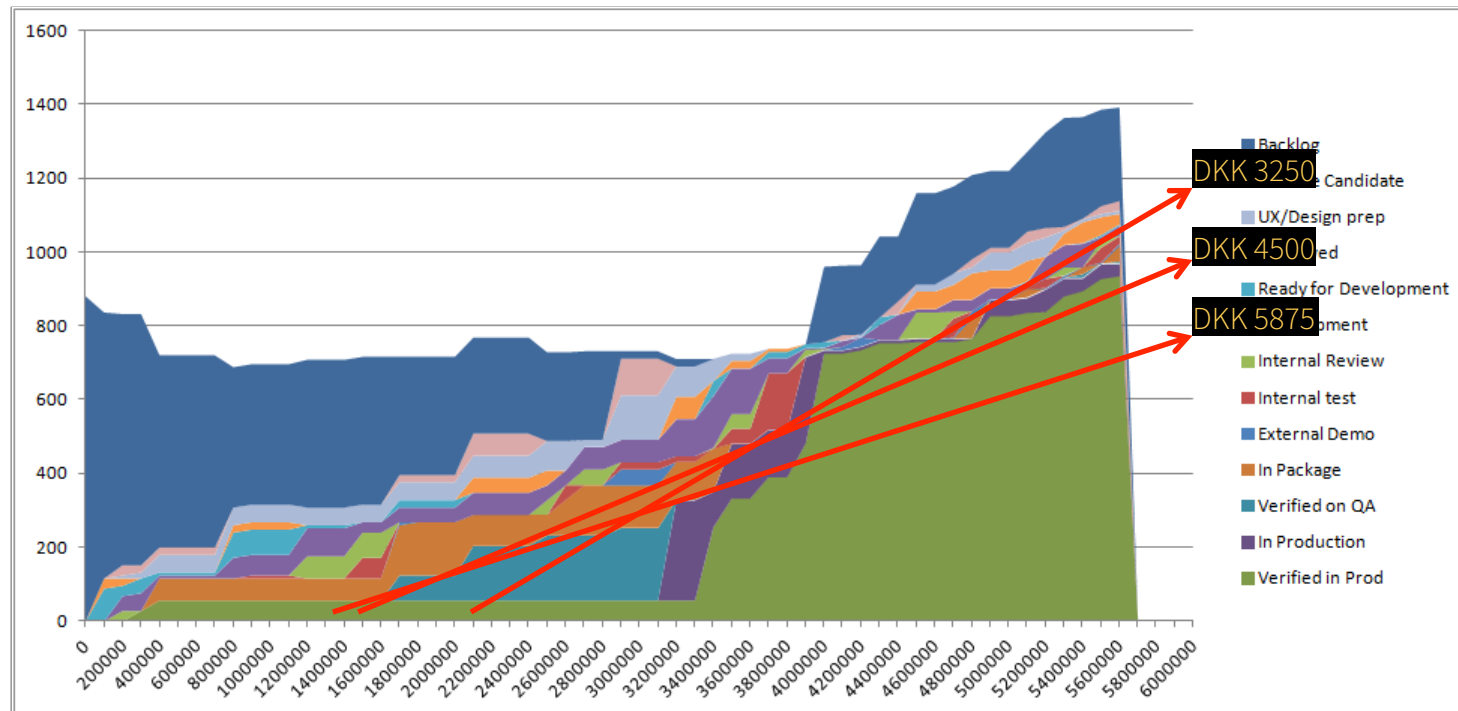
CFD



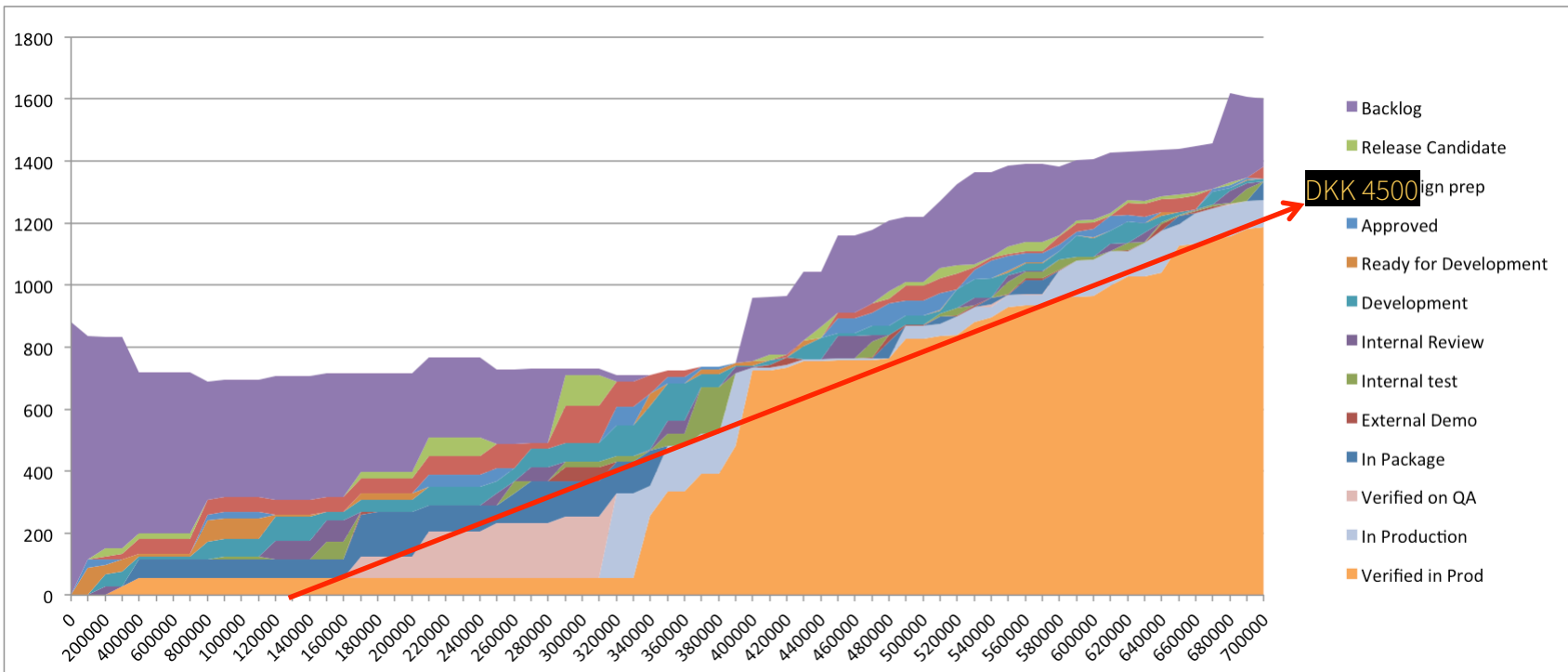
Cycle time



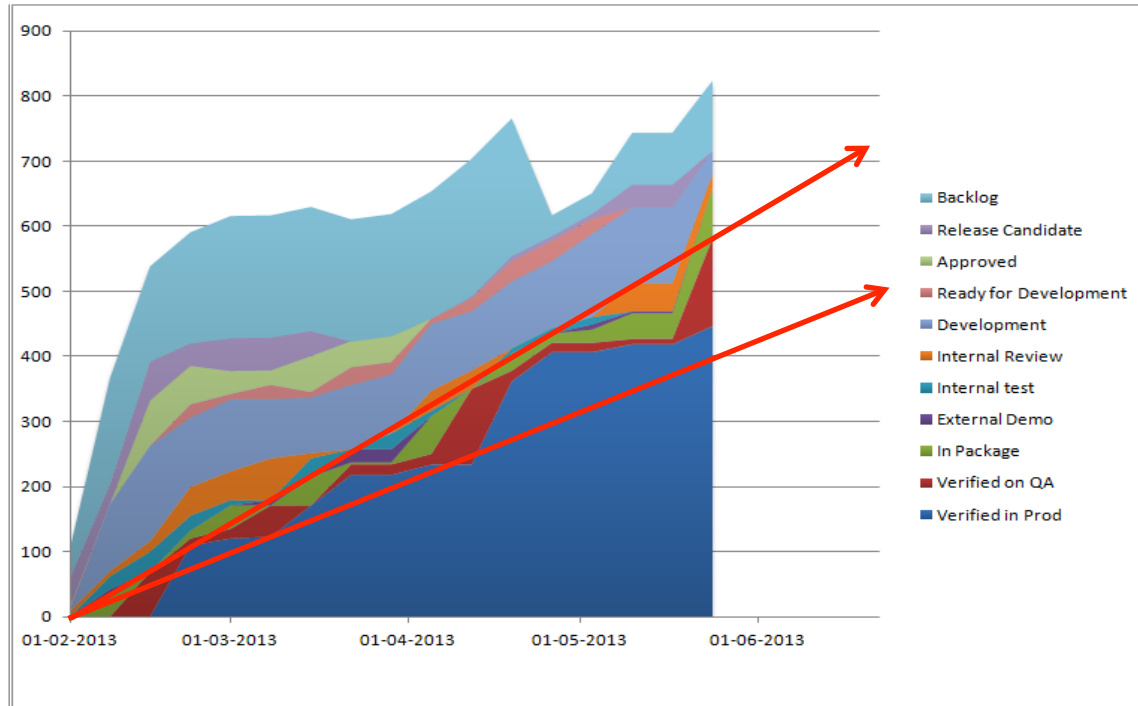
Data eats detail for breakfast



It really does 😊



The power of data



WARNING: Velocity is the easiest metric to game



Don't forget the vision



Take-aways

- Successful Innovation is paved with uncertainty
- Don't try to fight the laws of nature
- Establish contract models that acknowledges that we don't know the exact cost or value
- Shared Risk is a benefit for both parties
- Agile forecasting requires data and discipline
- Data eats detail for breakfast

Up-coming training



- Optimizing value flow with Kanban
 - Aarhus, 1-2 oktober
 - <http://share.madebydelta.com/kurser-og-arrangementer/produktudvikling/optimizing-value-flow-with-kanban/>
 - share@delta.dk



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THANKS!

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