



Sourcing for Agile

What your organisation needs to know
to enable its digital transformation agenda

Bristows

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kpmg.com/uk



Agile is key to digital agendas

In this paper, experts from KPMG and Bristows set out how organisations should go about sourcing Agile services to deliver their digital transformation agendas.

The world's most influential companies are rethinking their digital agendas and recent events have only intensified business leaders' commitment to digitisation. Rising costs, economic uncertainty, geopolitical fractures have forced many organisations to accelerate the scale and pace of their digital transformation.

As companies emerge from crisis mode and normalise operations, CEOs are doubling down on digital transformation to differentiate their firms and connect with customers.

Agile ways of working are key to enabling a digital strategy. Digital transformation programmes can involve unpredictability of outcomes and complex interconnecting parts. This can make them difficult to manage; measures of success can be ambiguous and stakeholder incentives can be misaligned.

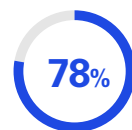
Adopting agile methodologies for such projects is seen as a way to reduce the risk of delivering the wrong scope as it puts the focus on collaboration, iterative development and constant re-appraisal of project objectives and outcomes.

When done correctly, agile can provide a means to managing fast-paced change whilst retaining the level of control and oversight that business demands.

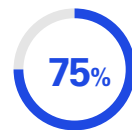
Yet digital transformation is beyond the scope of many organisation to deliver alone – it requires an ecosystem of partners to make it a success.

Accelerating growth and the digital agenda

CEOs are strengthening their organisation's digital advantage, investing in more digital opportunities and operating as part of digital ecosystems.



say "we need to be quicker to shift investment to digital opportunities and divest businesses that face digital obsolescence"



say "we have an aggressive digital investment strategy, intended to secure first-mover or fast follower status"

We distil the key considerations for any business when starting out on an agile project, focusing on:

01 **Selecting the right partners**
Your organisation needs a new way of working with third parties.

02 **Organisational preparedness**
Your organisation needs to be agile-ready to deliver your digital agenda.

03 **Contracting for the right outcomes**
Contracts help manage risk but require rethinking for agile, focusing on the business purpose.

04 **Managing Agile contracts**
Agile implementation needs careful management and the tools to deliver a successful outcome.

Why Agile?

KPMG sees organisations that have adopted Agile as being better equipped to navigate external and internal change at market speed.

Agile is more than just software development

First it is important to clarify what we mean when we say 'agile' and the different ways organisations use it in practice. Agile is an umbrella term encompassing a variety of delivery methodologies, all of which are based to some degree on the Agile Manifesto, a set of twelve principles devised by early practitioners of agile methodologies.

There's no off-the-shelf solution for agile, but there are several well-known agile methodologies such as Scrum, Lean, Kanban, and SAFe (Scaled Agile Framework). These methodologies were originally conceived by software developers to increase speed and flexibility when creating new products, and not designed for scaling agile ways of working across the entire organisation.

Agile is both a methodology for IT development projects when requirements or scope are not well understood, and agile is also a way of working to create better collaboration, speed, quality, and customer-centricity across an organisation.

The Agile Manifesto*

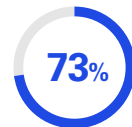
We are uncovering better ways of developing software by doing it and helping others do it. Through this work, we have come to value:

1. **Individuals and interactions** over processes and tools
2. **Working software** over comprehensive documentation
3. **Customer collaboration** over contract negotiation
4. **Responding to change** over following a plan

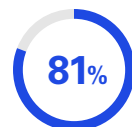
Partnering for transformation and resilience

Companies across the world are operating as part of digital ecosystems – collaborating with partners, suppliers driving operational performance, identifying new digital revenue streams and creating compelling digital customer experiences that deliver on an organisation's purpose.

While emerging tech is ranked by UK CEOs as the biggest risk to growth, 77% see technological disruption as more of an opportunity than a threat. 73% say they'll increase investment in disruption detection and innovation processes.



of UK CEOs say new partnerships are critical to continuing the pace of digital transformation



say that protecting their partner ecosystem is as important as building their own cyber defences



There are many components needed for successful innovation – but a critical element is diversity of thinking. This means reaching out beyond your own business. You can't innovate just by thinking from within. You need to access the wider ecosystem – tech businesses, start-ups and other organisations outside your own sector.

Lisa Heneghan
Chief Digital Officer, KPMG Global

* Agile Manifesto, 2001. www.agilemanifesto.org

01 Selecting the right partner – a sourcing strategy fit for Agile

In order to deliver digital transformation successfully, it is critical that your partners can support Agile delivery. We think any organisation selecting an agile partner(s) should address some key considerations at the outset of the sourcing stage of the project:

The Agile customer role – understanding the organisation’s ongoing role in the agile project as a customer – heavy engagement is needed to drive the project with suppliers using a one-team mentality.

Agile is not outsourcing – understanding the difference between outsourcing project delivery to receive a product with set specifications (not agile) and selecting a partner to collaborate with in order to achieve an objective (agile).

Use case selection – is the project right for agile working with a third party? We’ve seen agile fail when applied to the ‘wrong’ type of project, e.g. a core business function transformation when the organisation hadn’t built the expertise to deliver using agile.

Partner selection – given the collaborative approach taken in agile, the partner needs to be aligned with the organisation technically, commercially and, importantly, culturally.

The usual ways of selecting a supplier can present a number of issues for the customer when sourcing an agile delivery project.

Most technology sourcing methodologies are oriented to waterfall projects that proceed in a ‘straight line’ with clear sequencing, milestones, and pre-defined delivery outcomes.

Thus, organisations need to adapt their sourcing process for agile based projects that work through a series of small increments or sprints, and with flexible desired outcomes that may change as the project progresses.

It’s important to remember there are flavours of agile and your approach should be adapted to your specifications and the amount of certainty you require.

There are a number of key principles that we believe organisations need to embed in their approach to sourcing for Agile:

- Instead of focusing on a pre-defined plan and set of requirements, the sourcing process should focus on the overall outcomes and the interactions that will take place between the customer and supplier to achieve the outcomes.
- Although requirements might not be well defined, the sourcing process should be used to agree with the supplier the quality standards and thresholds so the ‘Definition of Done’ is understood before any contracts are signed.
- The sourcing process should define a governance mechanism that requires the parties to come together if the velocity at which working software is being delivered or the quality of it falls below the agreed threshold.
- The sourcing process should establish what dependencies the supplier has on the customer, whether these are acceptable and what the delivery responsibilities and accountabilities of the supplier are.

02 Organisational preparedness – become an 'Agile-ready' organisation

Agile is more than just about technology – it impacts the entire enterprise. It introduces new language, culture, mind-set, roles, ways of working and funding, and a new team approach.

Companies across the world are operating as part of digital ecosystems — collaborating with partners, suppliers and even competitors to drive operational performance, identify new digital revenue streams and create compelling digital customer experiences that deliver on their purpose.

This means that organisations must boost agility to be able to identify and explore opportunities, learn what works, invest appropriately, and act across every product or service offering with a strong focus on customer value.

To help our clients boost their organisational agility, we've answered key questions and provided some lessons learnt based on our experience.

Click [here](#) to learn how to get better at navigating change and exploiting opportunities at market speed.

We have set out our critical success factors; these are the key considerations that should be taken into account when selecting an Agile partner.



Understanding the rationale behind transformation:

- Organisations should consider why they want to adopt agile ways of working and if it is constrained by organisational barriers.
- Are the business requirements understood up front? If not, then agile may be suitable.



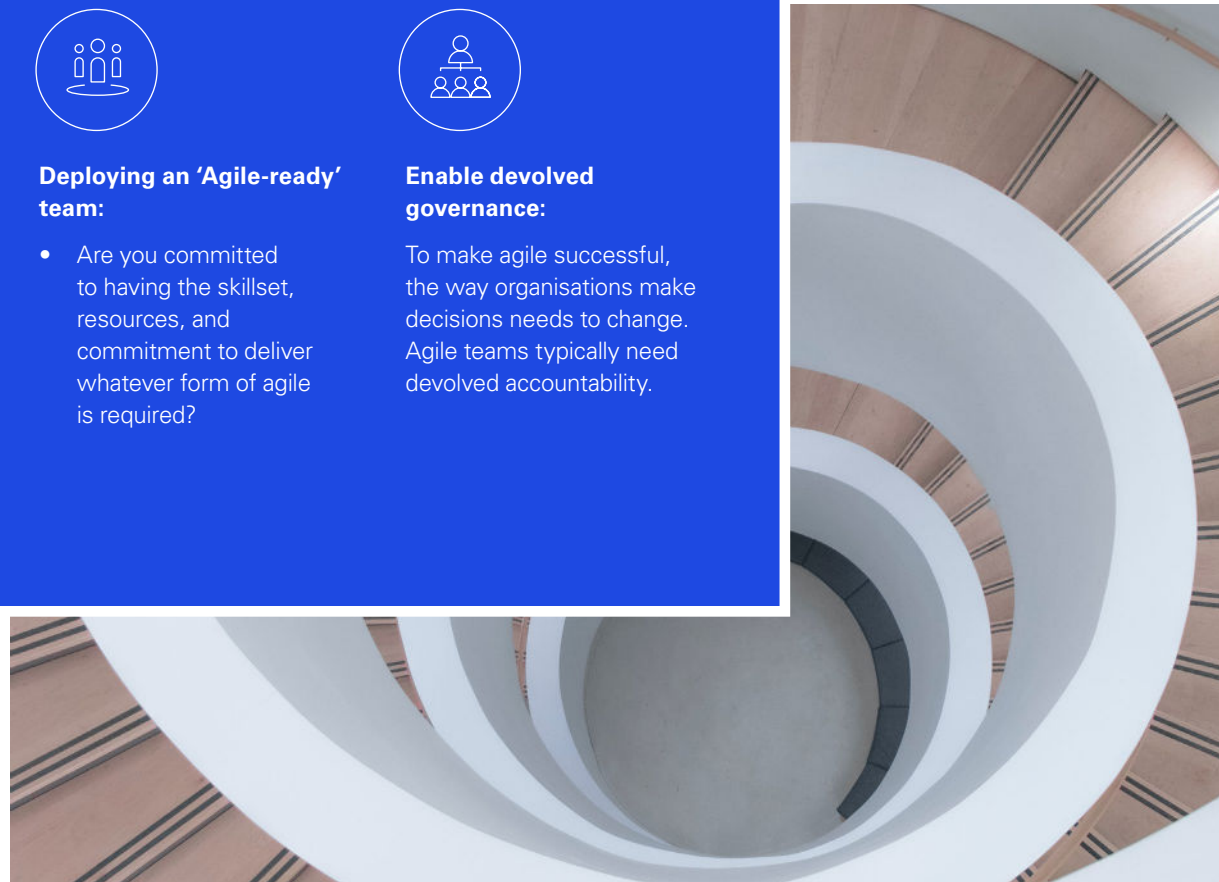
Deploying an 'Agile-ready' team:

- Are you committed to having the skillset, resources, and commitment to deliver whatever form of agile is required?



Enable devolved governance:

To make agile successful, the way organisations make decisions needs to change. Agile teams typically need devolved accountability.



03 Contracting for the right outcomes – a fresh approach to Agile contracting

The partnership between the customer organisation and its chosen agile partner is key to enabling success. However, many agile projects run into problems or do not meet their objectives. Recent high profile failed agile projects have even made it to court. The latest, Co-operative Insurance v IBM, involved delays in producing agile user stories, poor attendance at agile workshops, a lack of project management and questionable work product. It is therefore imperative to have a robust contract setting out the parameters for the agile project, to enable better governance and to rely on if and when things do go wrong.

An agile project requires a contract with the flexibility to accommodate evolving requirements, mechanisms to resolve problems quickly and effectively, and a recognition of the collaboration required between the parties to deliver a successful outcome. We have identified the key themes that clients should consider when contracting for agile.

The purpose of the project

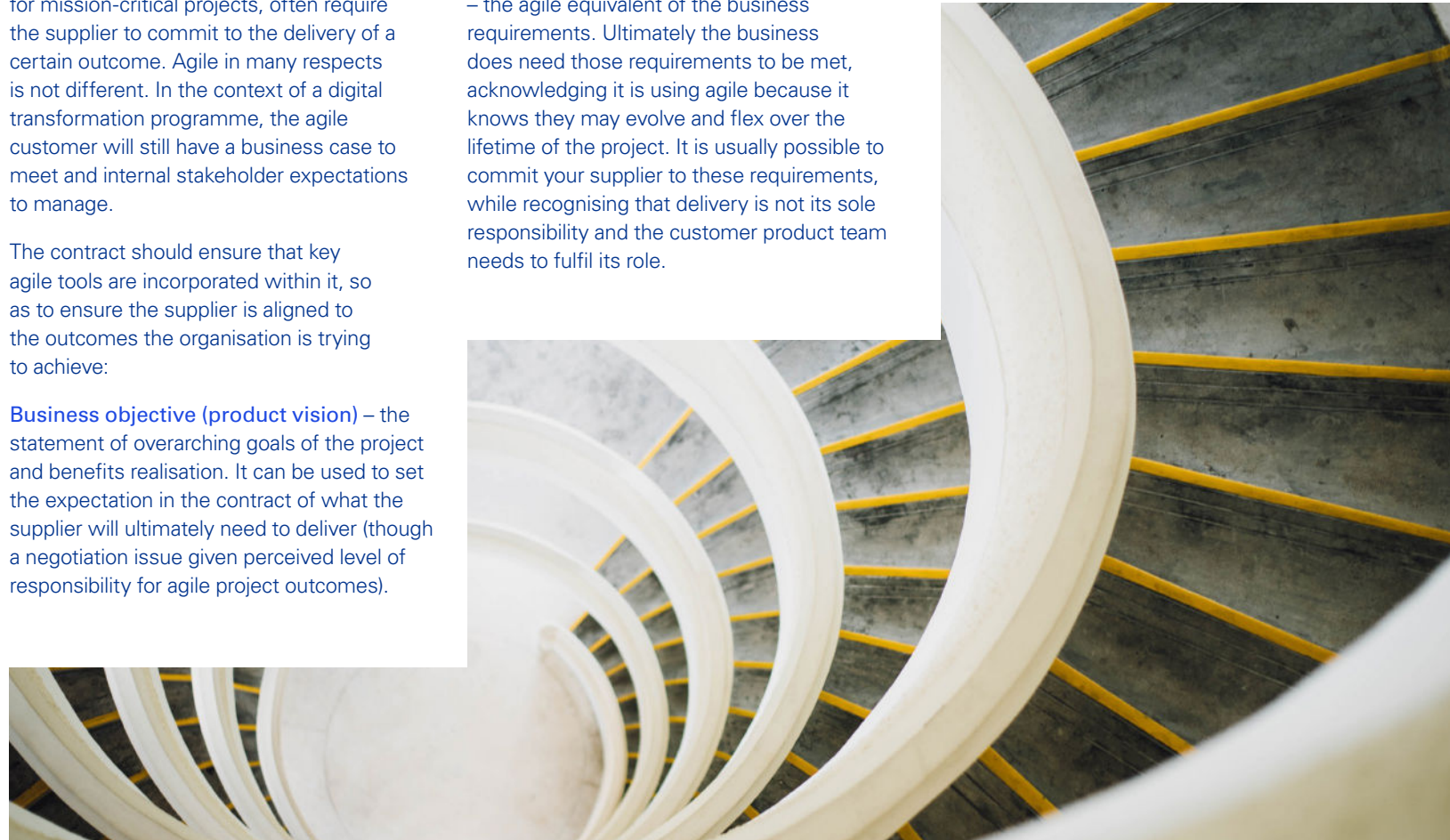
Traditional technology contracts, particularly for mission-critical projects, often require the supplier to commit to the delivery of a certain outcome. Agile in many respects is not different. In the context of a digital transformation programme, the agile customer will still have a business case to meet and internal stakeholder expectations to manage.

The contract should ensure that key agile tools are incorporated within it, so as to ensure the supplier is aligned to the outcomes the organisation is trying to achieve:

Business objective (product vision) – the statement of overarching goals of the project and benefits realisation. It can be used to set the expectation in the contract of what the supplier will ultimately need to deliver (though a negotiation issue given perceived level of responsibility for agile project outcomes).

Business requirements (product backlog)

– the agile equivalent of the business requirements. Ultimately the business does need those requirements to be met, acknowledging it is using agile because it knows they may evolve and flex over the lifetime of the project. It is usually possible to commit your supplier to these requirements, while recognising that delivery is not its sole responsibility and the customer product team needs to fulfil its role.



03 Contracting for the right outcomes – a fresh approach to Agile contracting



How the project will be run

It is important that the agile methodology is properly contracted for in a way that does not seek to ‘break’ how the parties will actually co-operate during delivery, while building in appropriate controls and protections.

Above all, we encourage teams to think about how it can adapt the tools that exist within the agile methodology to mitigate against the key business. Examples of these checks and balances:

Velocity – the completion rate of backlog items over each sprint. Agreeing a minimum velocity in the contract can incentivise the supplier to maintain momentum. Once agreed, failure to meet a minimum velocity can be tied to contractual remedies.

Viability – agile should not mean the customer organisation loses certainty over the outcome. One way of achieving certainty is to define the minimum subset of backlog items that must be delivered in order to produce the ‘minimum viable product’. Such items can be identified during the discovery phase as ‘mandatory’ backlog items and delivered for an agreed capped or fixed fee to give both parties cost control and certainty.

‘Definition of done’ – the teams can determine when a project is ‘done’ through governance. Such governance should be driven by the purpose contracted for, together with the results of the iterative development process. A customer organisation may seek to have control of the governance forum, but should avoid undermining the collaborative approach agile aims to achieve in doing so.

Risk transfer – agile’s focus on collaboration means it is more difficult for customers to transfer risk to the supplier than in a traditional outsourcing. One way to allocate risk fairly is through fixed price or capped time-and-material arrangements. Coupling a level of price certainty with a focus on outcomes means it is more likely for the project to be successful by every measure, including budget and timeline.

Equally, agile does not mean all risk should sit with the customer organisation. Agile can and should be seen as a way to deliver working product in a way that minimises the risk of getting the scope wrong. But that does not negate the customer from ensuring it is protected from poor supplier delivery or engagement, or the supplier from being contractually responsible for its role in delivering a successful project outcome.

04 Managing Agile contracts – how to deliver successful Agile projects

Agile projects can fail for many reasons, but typically this is not because of inherent problems with the methodology.

Instead it tends to be case that one or both of the parties did not, or could not, adjust to the ways of working.

Based on our collective experience, we have listed the most recurrent challenges and practical tips that organisations face when managing agile delivery.

Follow the process – the contract should define an initial process for the parties to co-operatively finalise requirements. By following the documented agile process (which should be possible if following the above principles about documenting what will happen in reality) customers can help to improve the chance of success.

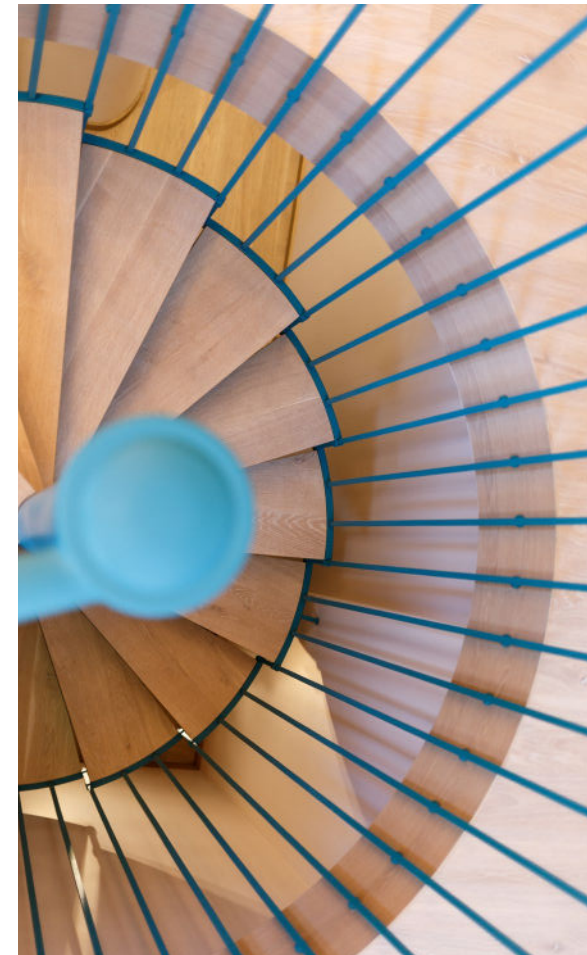
Managing changes as they occur – to allow requirements to flex with certainty, organisations should consider the agile change control mechanism as distinct from wider contract change control. This should help organisations to tackle issues and pursue them to resolution early and often to avoid them accumulating and becoming more difficult to resolve.

Managing scope tension – we see disputes arise due to a lack of proper scoping of the effort involved in delivering the backlog. A supplier bases its estimate (story points) on high-level user stories but during detailed sprints there is much more to it than the supplier (or even the customer) had in mind when contracting/scoping.

Managing disputes – we often hear suppliers alleging that during sprint planning the customer is ‘broadening the scope’, while the customer argues the sprint involves a necessary ‘deepening’ of, or drilling-down into, the initial high-level user stories. Contracts could build in an initial process for the parties to co-operatively finalise requirements based on pre-agreed pricing principles.

Disputes about scope – go-live should reflect the totality of what you bought, e.g. each module of software might be accepted but does the end-to-end platform ‘work’ as a whole and what about integration? If there is a dispute regarding compliance of a completed item with the ‘Definition of Done’, it may be sensible to include a dispute resolution procedure that the parties must follow (for example, expert determination or mediation) before they can commence legal proceedings.

Finally, once all items in the product backlog have been completed in accordance with the ‘Definition of Done’, the agreement should confirm when the project is deemed to be completed and whether any other acceptance criteria will apply.



Contacts



Anne Gosal

Partner,
Technology Strategy and Transformation
KPMG in the UK

T: +44 (0)7766 244 738

E: anne.gosal@kpmg.co.uk



Vik Khurana

Partner
Bristows LLP

T: +44 (0)7979 362 984

E: vik.khurana@bristows.com



Edward MacDonald

Senior Manager,
Technology Strategy and Transformation
KPMG in the UK

T: +44 (0)7500 106 142

E: edward.macdonald@kpmg.co.uk



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