

First Steps

The first step of any project is for the client to articulate the general needs of a system to be developed, maintained, or converted. This typically takes the form of an RFP or informal meeting. A meeting of this nature usually lasts several hours and may involve demonstrations by the client or direct examination of the business processes being automated. This is also an opportunity to show examples of our work and specific competence.

Armed with as much detailed information as available, we can then put together a document that describes, in our own words, the task at hand and recommend a general approach to solve the problem or satisfy the need. This document will include rough estimates, based on documented assumptions, for the cost of development.

This work is performed free of charge. It is not a detailed system design. Unless the contract method chosen is Time and Materials (T&M), it is not necessarily a basis for starting work. The next step is up to the client. This is the task of deciding on what basis the work is to be performed.

Types of Contracts

There are two general types of contracts: Fixed Price and Time and Materials.

Time and Materials Contract

Time and Materials simplifies to one statement: "We work for an hour, you pay for an hour, when you tell us to stop, we stop."

Time spent on a project is billed in 30-minute increments. This includes meetings with the client, design, debugging, development, internal meetings, site visits, etc. Payment is not tied to project milestones but is billed every two weeks on a Net 15 basis. This arrangement affords the maximum flexibility to the client. The client has more control over the eventual cost of the project because features can be included or excluded as the project proceeds, to control the total cost. Not all projects produce a tangible deliverable such as documentation, software, reports, etc. This might include investigating problems and recommending solutions, or management consulting to senior staff or technology directions. However, time spent performing the requested tasks are still billable on a per hour basis. When invoices are issued, at

the client request, a report can be provided to show work performed, by contractor, per day for project tracking purposes.

It is typical for the client to be provided an estimate of the number of hours a project will take. This estimate may be based on nothing more than a 2-4 hour meeting and should be viewed as an educated guess. The client is responsible for monitoring progress and budget based on reports from 3SI/Strategic Support System's staff. Once a project is complete, bug fixes, enhancements and support are still at the stated hourly rate.

Fixed Rate

With a fixed price contract, the exact cost of the system being developed or service being performed is known up front. This is the amount billed regardless of the actual effort or cost involved. Payment is typically broken up into an up-front fee, milestone payments, and a final deliverable payment. The more that is known about a project before a fixed price bid is issued, generally, the lower the bid. This is because we must assume the risk of underestimates. "Fudge factors" are included in the fixed price to cover unknowns. Any substantial change to the task is handled with change orders. Change orders are signed by both the client and 3SI/Strategic Support Systems and have an associated fixed price and clear payment schedule for the change order.

This payment open can yield, in most cases, a higher cost to the client but it carries extra security and the benefit of knowing the cost up front.

A good idea when considering a fixed-price contract is to pay for a detailed design document. This may be contracted on an hourly or fixed-price basis and consists of from 1-4 weeks of work. The end result is a detailed description of the problem. This provides the comfort for both the client and contractor that all the unknown issues have been investigated.