From Time & Materials to Output-Based Contracting

The industry evidence that T&M burns budget — and how NPR 5333, Nesma EFS and ISBSG data fix it, step by step

IT Confidence Conference 2026 · Friday 13 November 2026 · 14:05–14:35 CET

Drs. Harold van Heeringen — Founder, AgileBenchmark · Immediate Past President, Nesma · Board member & Data Collection Manager, ISBSG

www.agilebenchmark.com

Introducing me

Drs. Harold van Heeringen — 25+ years in IT, 20+ years in software measurement and metrics



25+
years in IT

20+
years in software measurement & metrics

3
standards roles: Nesma, ISBSG, NPR 5333

Career

- **Sogeti** — 17 years in measurement, metrics and estimation
- **Metri / IDC Metri** — 10 years in software benchmarking
- **AgileBenchmark** — Founder; FPA, Cost Estimation, Agile Team benchmarks, Value-for-Money, Output-based Contracting Consultancy

Roles in the industry

- Immediate Past President, Nesma — Netherlands Software Metrics Association
- Board member & Data Collection Manager, ISBSG
- Contributor to NPR 5333 (NEN practice guideline)
- Nesma Certified FPA Analyst · ICEAA CEBoK-S certified · COSMIC certified

Private Life

- Married, 3 children
- Living in Veendam, in the North of the Netherlands (quite ‘far’ from Amsterdam!)
- Sports/Hobbies: chess, padel, fitness, swimming, skiing, hiking

*Today I'm wearing two hats: **the consultant** who helps organisations move to output-based contracts, and the **ISBSG board** member responsible for the data that can anchor their first targets.*

What this talk covers

From the industry problem to your first contract KPI, step by step

1 **Why Time & Materials is burning your budget**

the industry evidence, and why it fails both sides

2 **The fix: NPR 5333 and Nesma EFS**

built by the market, for the market

3 **Making the move, step by step**

from today's contract to an output-based one, and what drives the price

4 **“Where do our targets come from on day one?”**

the question everyone asks

5 **ISBSG, and building your own peer group**

step by step — from 13,000+ projects to low / likely / high targets

6 **Pricing your first contract**

the ISBSG data (and AgileBenchmark tooling) behind your first contract KPI

01

T&M is burning your budget

The industry evidence — before we get to the fix

Every T&M-sourced team is probably burning money

Three independent sources. One consistent signal.

45%

average cost overrun on large IT projects (>$15M) — delivering 56% less value than predicted, across a study of 5,400+ IT projects.

McKinsey & Company, with the University of Oxford

50%

of IT projects rated “challenged” by their own sponsors — over budget, over schedule or short on scope. Only 31% succeed outright.

Standish Group, CHAOS Report

$139B

obligated by the US federal government on Time & Material contracts in five years — flagged for weak efficiency incentives, with cost risk sitting entirely with the buyer.

US Government Accountability Office, 2022

None of this is about any one team or supplier being bad at their job. It's what Time & Material's incentive structure produces, every time: You pay for hours, and hours is exactly what you'll get.

T&M itself is the structural problem — not the people delivering under it. That's exactly why NPR 5333 and Nesma EFS exist.

Sources: McKinsey & Company, “Delivering large-scale IT projects on time, on budget, and on value” (with Univ. of Oxford); Standish Group CHAOS Report (2020 ed.); US GAO, reported in Washington Technology (2022).

The industry default: the rate card

Easy to negotiate — and silent on the one thing that matters

AN ILLUSTRATIVE EXAMPLE — A TYPICAL APPLICATION-DEVELOPMENT RATE CARD

Role	Junior	Medior	Senior
Developer	€65 / hr	€85 / hr	€110 / hr
Tester	€60 / hr	€75 / hr	€95 / hr
Business / functional analyst	€70 / hr	€90 / hr	€115 / hr
Scrum master	—	€90 / hr	€115 / hr

What it doesn't tell you

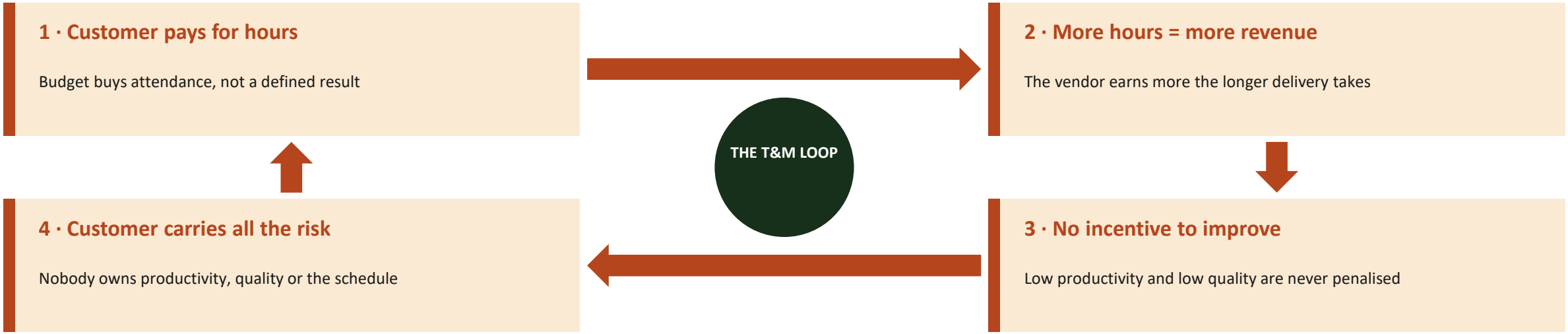
- ✗ How much functionality you get per euro
- ✗ How productive the team actually is
- ✗ What quality is being delivered

What it does tell you: role and seniority, peer-low / average / peer-high hourly rate — **easy to negotiate, compare and benchmark.**

This is what most agile application-development contracts look like today.

Time & Materials: why it persists, why it fails

Input-based contracting rewards hours, not results — and quietly reinforces itself



Why it still persists: rate cards are easy to negotiate and benchmark; procurement is rarely IT-specialised (today IT, tomorrow office chairs); vendors compete on rate, not results.

But…low productivity results in extra sprints! And Low Quality needs to be fixed! All paid for by the customer!

T&M + hybrid teams + no objective measurement = one of the industry's best-known bad practices.

T&M is the bad practice, NPR 5333 solves it

*Customers stop paying for 'showing up', and **start paying for delivered output***

TIME & MATERIAL — THE BAD PRACTICE		OUTPUT-BASED — NPR 5333 + FUNCTION POINTS
CUSTOMER PAYS FOR		
Attendance — hours, 'showing up'	→	Delivered functionality (FP), quality-checked
SUPPLIERS COMPETE ON		
Hourly rate — 'pay peanuts, get monkeys'	→	Price per FP — productivity and quality
TEAM COMMITMENT		
Loose individuals in the client's hybrid team	→	A complete, accountable supplier team
OWNERSHIP OF RISK		
Nobody — the client carries all the risk	→	The supplier — for quality and productivity
SUPPLIER INCENTIVE		
More hours = more revenue	→	Higher productivity = better margin

Win-win. Professional suppliers no longer compete on hourly rate but on productivity and quality; customers pay for what they actually get.

02

The fix: NPR 5333 and Nesma EFS

From paying for presence to paying for results

What is NPR 5333?

A Dutch NEN practice guideline, built by the market for the market

Co-developed by 50+ industry experts from ≈35 customer, supplier, consultancy and government organisations · free NEN download since October 2025 (Dutch; English Q4 2026)

THE 17 CORE METRICS — THE MINIMUM EVERY OUTPUT-BASED CONTRACT SHOULD TRACK

NPR 5333 allows every metric below as a core metric — AgileBenchmark doesn't use all of them. Annotated where we substitute or exclude one.

FASTER

- Delivery rate — **FP** delivered per period
- Velocity — **FP** delivered per iteration

→ *we use FP, not story points*

- Load — **FP** committed per iteration

→ *we use FP, not story points*

- Flow predictability — **FP** realized vs. committed

→ *we use FP, not story points*

CHEAPER

- Output rate **— price per function point delivered**

BETTER

ISO 5055 Metrics – Source Code Quality

- Maintainability
- Efficiency
- Reliability — incl. MTBF & MTTR
- Security
- Functional suitability — code & test metrics

HAPPIER

- Team satisfaction
- Collaboration satisfaction
- Usage satisfaction

MATURITY: HOW FAR DO YOU NEED TO GO?

LEVEL 1 — Basic predictability

DoR/DoD, load and velocity visible

→

LEVEL 2 — Quality & satisfaction

Better and Happier under control

→

LEVEL 3 — Productivity & output

Faster and Cheaper measured in FP — required for price-per-FP contracting

Source: NPR 5333:2025, §5.2.4 and Table 2 (17 core metrics; 46 in the full set).

Four ways to contract agile delivery

Output-based sits between all-risk-on-the-client and all-risk-on-the-supplier

Scope of NPR 5333

Time & Material	T&M with metrics	Output-based	Outcome-based
Pays for time and materials used by the supplier.	T&M, but pays only when software meets agreed metrics (incl. quality).	Pays for WHAT functionality is delivered when it meets metrics — not HOW.	Pays only when predefined business objectives are achieved.
SUPPLIER INCENTIVE Maximize hours and rates	**SUPPLIER INCENTIVE** Maximize hours and rates, but within metric thresholds	**SUPPLIER INCENTIVE** Optimise quality & productivity for cost	**SUPPLIER INCENTIVE** Optimise outcome for cost
CLIENT RISK No control over the devil's triangle	**CLIENT RISK** Devil's triangle: scope, duration, costs	**CLIENT RISK** Devil's triangle: only scope	**CLIENT RISK** Scope, relevance, measurability of outcome
'Bad Practice'			*'Never' works!*

Nesma Easy Functional Sizing: from 112 pages to 4 (core guidelines)

“But FP measurement is hard, and we don't have certified experts” — not anymore

112

pages — Nesma FPA counting guidelines, ISO/IEC 24570:2018

4

pages — Nesma Easy Functional Sizing, **ISO/IEC 25986:2026**

7 FP

Logical Files

data a process reads or maintains

4 FP

External Inputs

data entering from outside the boundary

5 FP

External Outputs

data leaving the boundary to a user



Want the full book?

“Easy Functional Sizing — for clarity and grip on Agile software development”, the book behind this method, by Harold van Heeringen.

Available on Amazon: amazon.com/Functional-Sizing-clarity-software-development/dp/9076258503

03

Making the move

From today's T&M contract to an output-based one

What goes into a price per function point?

Not every FP costs the same — the price depends on productivity, rate and what else you price in

Hours / FP	×	€ / hour	+	Markups	=	€ / FP
team's productivity on THIS scope		internal cost rate — never the bid price itself		non-FP work, risk, quality requirements, margin		bid / contract price

SENSITIVITY HEATMAP — ILLUSTRATIVE ONLY, BEFORE MARKUPS

Hours/FP ↓ × Rate →	€70/hr	€85/hr	€100/hr
15	€1,050	€1,275	€1,500
25	€1,750	€2,125	€2,500
35	€2,450	€2,975	€3,500
50	€3,500	€4,250	€5,000

A 10-hour/FP difference alone shifts the price by €700–€1,000 per FP — long before markups are even added.

Where this goes wrong

- ✗ Productivity assumed from hope or sales pressure, not data
- ✗ Remaining or new scope treated as equal to average scope
- ✗ Non-FP work (handover, transition, technical debt, non-functionals) left unpriced
- ✗ Quality norms and remediation obligations underestimated

Table is purely arithmetic (hours/FP × rate), to show the method. The real range for your situation comes from measuring your own scope and comparing it to ISBSG data for comparable projects — next.

What should be in the Price per FP, and what not?

If it changes the FP count, it's priced per FP. If it doesn't, it isn't.

INSIDE THE PRICE PER FP

- Analysis, design, build and testing of the agreed, FP-counted functionality
- Meeting the Definition of Done — including the ISO 5055 quality norms NPR 5333 requires
- Normal iteration rework needed to pass acceptance on that counted scope
- Code reviews and unit/integration/system testing for the delivered functionality
- Standard technical and user documentation tied to what was delivered
- Your own productivity (PDR) — priced in up front, not re-negotiated sprint by sprint

OUTSIDE — STAYS UNDER T&M

- New or changed scope discovered after sizing — repriced, not absorbed
- Non-functional work with no FP footprint: infrastructure, CI/CD, security hardening, performance tuning
- Technical debt remediation and legacy/architecture rework outside this scope
- Data migration, environment setup and third-party integration effort
- Production support, incident fixes and warranty work after acceptance
- Discovery, PoCs, feasibility spikes and vendor governance overhead

Rule of thumb: if it changes the FP count, price it per FP — if it doesn't, it stays T&M, not buried in the rate.

“We have no historical data to base a price on.”

The honest answer: you don't need your own history to start

PHASE A — MONTH 0

Benchmark-anchored

No internal actuals yet. Anchor low, likely and high values to an external, industry benchmark for comparable projects.

→ this is where ISBSG comes in

Wide range — no actuals of your own yet



PHASE B — MONTH 6+

Actuals-calibrated

Your own EFS-sized sprints have accumulated. Recalibrate values on your own delivered data — the benchmark becomes a sanity check, not the primary input.

Narrow range — anchored on your own delivery data



04

ISBSG: a 13,000+ project repository

The benchmark behind Phase A — and the raw material for your peer group

What is in the ISBSG repository?

A global, contributor-built dataset that keeps growing — not a frozen historical archive

5,297

projects from 2016–2025 — 39% of the repository, and growing every year

13,718

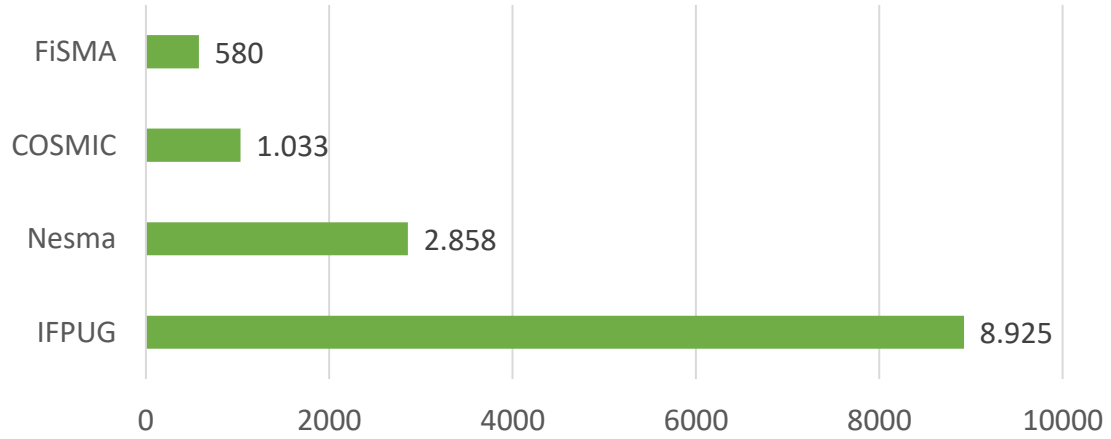
projects overall, Year of Project 1989–2025

94%

of 2016–2025 projects have Development Methodologies recorded, vs. 62% overall

- Sized with recognised FSM methods: IFPUG, Nesma (incl. EFS), COSMIC, FiSMA, SiFP
- Functional Size is recorded for 100% of 2016–2025 projects, vs. 93% for the full release
- 91.6% of the full repository is rated Data Quality A or B — reliable for benchmarking
- 254 fields across 30 field groups: size, effort, cost, defects/quality, team and delivery context
- Founded in 1997 by national software metrics associations — not-for-profit, independent, still the international standard-setter
- Updated every year

BY SIZING METHOD — FULL RELEASE, ALL YEARS (1989–2025)

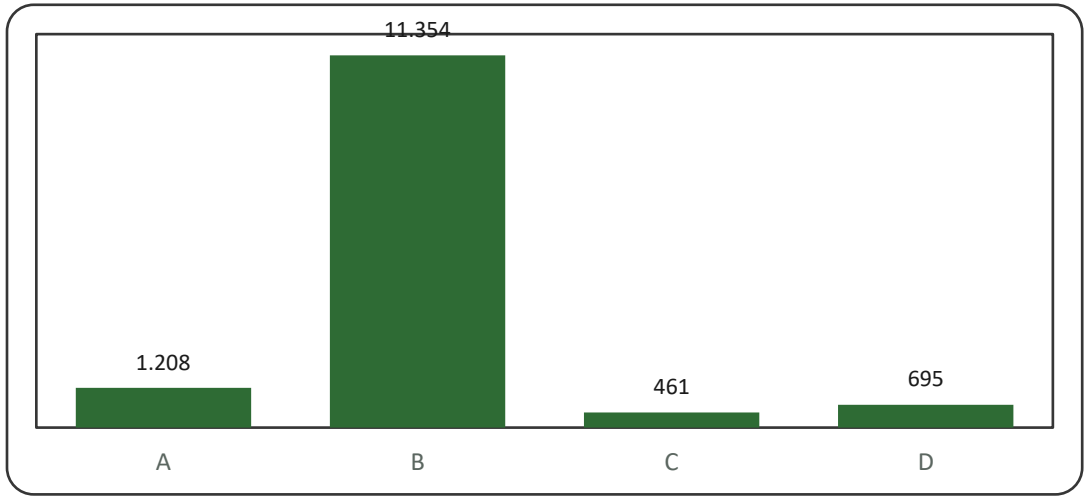


Source: ISBSG D&E Corporate Release, August 2026 (13,718 projects); ISBSG short paper "Inside the D&E Repository," October 2026.

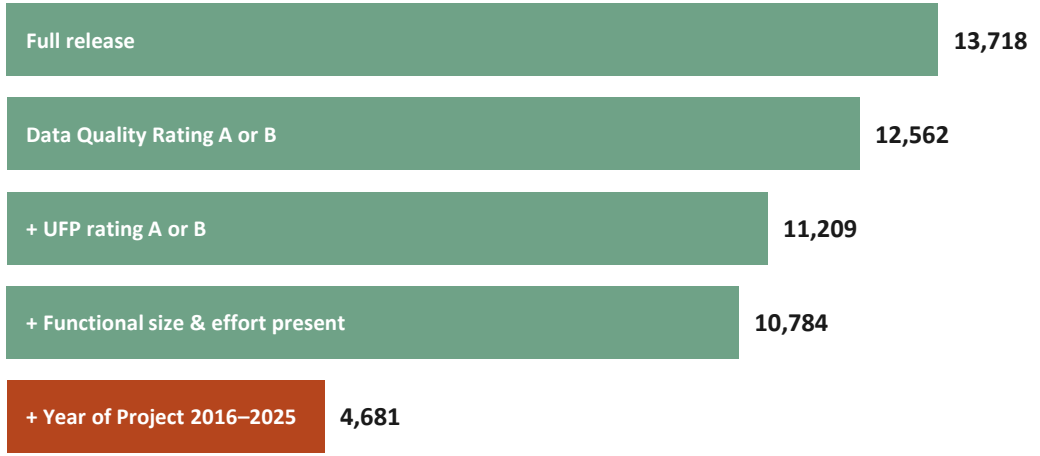
Is it reliable, current and agile enough to build on?

91.6% rated A or B — and agile is far better represented than most people assume

DATA QUALITY RATING



A SELECTION FUNNEL FOR PRODUCTIVITY ANALYSIS



- Development Methodologies: 62% complete overall → 94% for 2016–2025 projects — agile submissions are far better documented.
- Agile Development alone: 3,284 mentions — nearly as large as the single biggest Waterfall code; not just legacy data.

Source: ISBSG short paper "Inside the D&E Repository," October 2026, based on the August 2026 release.

How to build your peer group, step by step

Filter down to projects that are genuinely comparable to yours

START — Full ISBSG D&E repository: 13,718 projects

1. **Data Quality Rating**
   A or B only — ISBSG's own reliability threshold
2. **FSM method / platform / language**
   matches how your team sizes and builds — e.g. Nesma EFS, Java, Mendix, SAP
3. **Industry sector**
   e.g. government, banking, logistics, airports
4. **Application type**
   e.g. administrative, real-time, infrastructure/control
5. **Size band**
   a function-point range around your own project's scope
6. **Development methodology**
   Agile (vs. Waterfall or hybrid)
7. **Recency**
   e.g. delivered within roughly the last 10 years

RESULT — Your peer group: typically a few dozen to a few hundred comparable projects, depending on how tightly you filter

These are largely the same factors that drive price per FP (previous section) — which is exactly why they're the right filters for a fair comparison.

ISBSG Data – Developments & Enhancements

A live look at the raw D&E repository export — this is what a project record actually looks like

ISBSG Project ID	Data Quality Rating	UFP rating	Year of Project	Implementation Date	Industry Sector	Organisation Type	Application Group	Application Type	Development Type	Project Type	Development Platform	Language Type	Primary Programming Language	Intended Market	Count Approach	FP Standard	Functional Size	Relative Size	Adjusted Function Points
11502	B	A	2019		Finance		Business Applica	Billing, Payments & Financial Tran	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	2.703	L	2.703
12002	B	A	2025		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	726	M2	726
13107	B	A	2021		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	1.629	L	1.629
13930	B	A	2025		Finance		Business Applica	Billing, Payments & Financial Tran	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	1.116	L	1.116
17876	B	A	2024		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	1.231	L	1.231
19346	B	A	2022		Finance		Business Applica	Business Intelligence & Reporting	New Developm	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	576	M2	576
21757	B	A	2019		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	728	M2	728
26494	B	A	2022		Finance		Business Applica	Communications & Telecom Servi	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	2.340	L	2.340
26674	B	A	2022		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	313	M2	313
27111	B	A	2025		Finance		Business Applica	Billing, Payments & Financial Tran	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	564	M2	564
27250	B	A	2019		Finance		Business Applica	Billing, Payments & Financial Tran	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	376	M2	376
29141	B	A	2025		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	259	M1	259
31638	B	A	2019		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	1.552	L	1.552
33378	B	A	2019		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	915	M2	915
33919	B	A	2022		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	1.601	L	1.601
34283	B	A	2020		Finance		Business Applica	Billing, Payments & Financial Tran	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	1.292	L	1.292
34516	B	A	2022		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	1.336	L	1.336
35353	B	A	2022		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	294	M1	294
36447	B	A	2019		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	1.607	L	1.607
37365	B	A	2025		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	1.326	L	1.326
37882	B	A	2020		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	860	M2	860
38207	B	A	2020		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	2.033	L	2.033
38742	B	A	2023		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	1.674	L	1.674
38854	B	A	2019		Finance		Business Applica	Billing, Payments & Financial Tran	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	752	M2	752
39227	B	A	2019		Finance		Business Applica	Billing, Payments & Financial Tran	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	474	M2	474
40271	B	A	2020		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	999	M2	999
40850	B	A	2019		Finance		Business Applica	Business Intelligence & Reporting	Enhancement	Project		4GL	.NET / C# / Visual Basic		NESMA	NESMA	3.482	XL	3.482
42173	B	A	2025		Finance		Business Applica	Billing, Payments & Financial Tran	Enhancement	Project	PC (Personal Cor	4GL	.NET / C# / Visual Basic		NESMA	NESMA	796	M2	796

Illustrative rows from the ISBSG D&E Corporate Release, August 2026 — Finance-sector, NESMA-sized projects.

Data Analysis

AgileBenchmark's own Excel tool — paste a column of data, get instant benchmarking statistics

AgileBenchmark Analysis — paste a column of data, get instant benchmarking statistics

HOW TO USE THIS TAB

1. Paste (or type) ONE column of numeric data into the green-bordered cells below, starting at B8 — e.g. a column of Normalised PDR, Effort, or Team Size values copied from the Data tab or elsewhere.

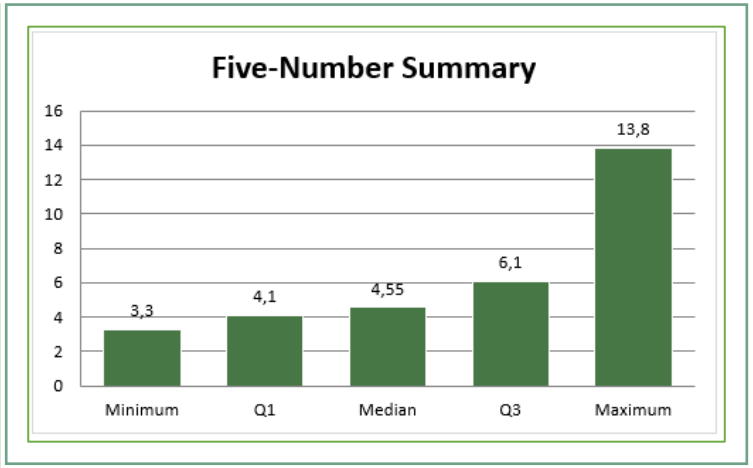
Label: My Data

Paste data ↓
4,3
9,2
4,1
5,3
4,8
4,1
3,7
4,5
4,3
10,8
9
13,8
3,9
4,4
3,3
3,5
3,6

AGILEBENCHMARK STATISTICS

Sample size (N)	34
Minimum	3,3
10th percentile	3,6
Lower quartile (Q1)	4,1
Median	4,6
Mean (average)	5,9
Upper quartile (Q3)	6,1
90th percentile	10,4
Maximum	13,8
Range (Max − Min)	10,5
Interquartile range (IQR)	2,0
Std deviation (sample)	3,0
Std deviation (population)	3,0
Coefficient of variation	0,5
Skewness	1,6
Lower outlier fence (Q1 − 1.5×IQR)	1,1
Upper outlier fence (Q3 + 1.5×IQR)	9,1
Potential outliers (IQR rule)	6

Note: quartiles use the inclusive method. The IQR outlier rule flags values more than 1.5× the interquartile range beyond Q1/Q3 — a common first check before benchmarking productivity or effort data.



AgileBenchmark Analysis tool, demonstrated live — paste any numeric column (PDR, effort, team size…) to get N, percentiles, IQR and outlier flags instantly.

From PDR to Cost/FP — and what to bid

*Build your bid from your own **team's cost,** not a rate card — this is how the '**€ / hour**' box earlier actually gets calculated*

Team cost / month

€85,000

fully-loaded: salaries, overhead, tools — not a bill rate

÷

Team hours / month

1,360 hrs

capacity: 8 FTE × 170 productive hrs/month

×

PDR

7.9 hrs/FP

your team's current rate — converged to the ISBSG peer-group median

=

Cost / FP

€494

your floor — bid below this and you lose money

(= €62.50 / hour, internal)

Cost / FP (€494) + Markups — risk, non-FP work, margin = Price / FP to bid

WHICH RATE TO BID — TO WIN THE CONTRACT AND STILL PROFIT

BID AT €70 / HR

€553 / FP

+€59/FP margin (12%) over your cost floor

Thin cushion — competitive, but fragile if scope slips

BID AT €85 / HR

€672 / FP

+€178/FP margin (36%) over your cost floor

Healthy margin, still comfortably under most rate-card asks

BID AT €100 / HR

€790 / FP

+€296/FP margin (60%) over your cost floor

Strong margin, but the hardest bid to win on price

Win zone: bid anywhere above your Cost/FP floor (€494) — the further above it, the more margin, but the harder it is to win on price.

Illustrative example: 8-FTE team, €85,000/month fully-loaded cost, PDR converged to the ISBSG peer-group median (7.9 hrs/FP, from the earlier trend chart). Bid rates reuse the €70/€85/€100 scenarios from the price-per-FP sensitivity heatmap.

Team balance, not team size, drives the outcome

The same 8-FTE budget, staffed differently — illustrative example, three ways to build the team

TEAM MIX	JUNIOR-HEAVY 1 Senior · 2 Medior · 5 Junior	BALANCED 2 Senior · 4 Medior · 2 Junior	SENIOR-HEAVY 5 Senior · 2 Medior · 1 Junior
Blended team cost	€55 / hr (€74,800/mo)	€65 / hr (€88,400/mo)	€75 / hr (€102,000/mo)
Productivity (PDR)	11.2 hrs/FP (ISBSG P75)	7.9 hrs/FP (ISBSG P50)	6.3 hrs/FP (ISBSG P25)
Cost / FP	€616	€514	€473
Quality (defects/100 FP)	8.5	4.5	2.1
Delivery speed	121 FP / month	172 FP / month	216 FP / month
Vendor margin at €672/FP bid	**€56 / FP (9%)**	**€158 / FP (31%)**	**€199 / FP (42%)**

FOR THE VENDOR

Same €672/FP bid, smarter staffing: the senior-heavy team keeps €199/FP margin (42%) — almost 4× the junior-heavy team's €56/FP (9%).

FOR THE CUSTOMER

Same price, better outcome: +78% more FP delivered per month, and defects per FP fall to less than a quarter — from staffing choices alone.

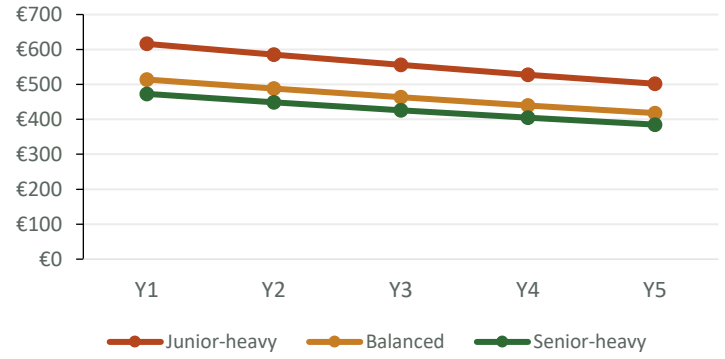
Output-based pricing rewards the vendor for building the RIGHT team — not the cheapest one. Everybody wins.

Illustrative example: an 8-FTE team at any mix, 1,360 hrs/month capacity. PDR values reuse the ISBSG P25/P50/P75 reality range (N=89) used earlier in the deck; role cost rates and defect figures are illustrative. Bid price €672/FP = the €85/hr recommended scenario from the previous slide.

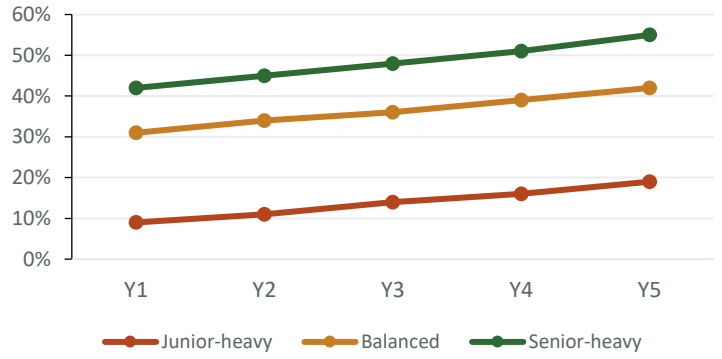
The gains compound, year after year

Same three team mixes, projected 5 years out — illustrative example, productivity improving 5%/year

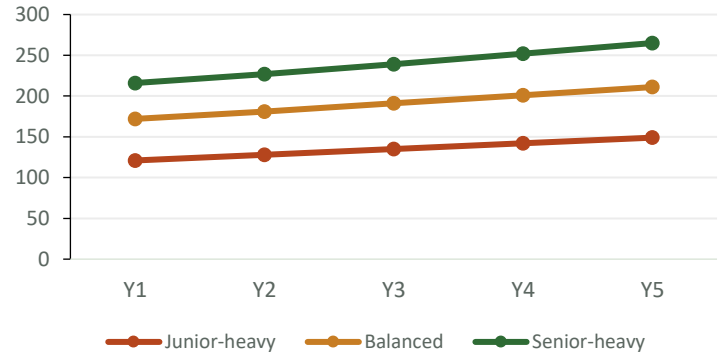
COST / FP — FALLS AS PRODUCTIVITY COMPOUNDS



SUPPLIER MARGIN % — WIDENS EVEN AS PRICE ERODES



DELIVERY SPEED (FP/MONTH) — CUSTOMER WAITS LESS



What the customer pays, market-wide: €672 → €595 / FP by Year 5 (–11%) — independent of which vendor or team mix is chosen.

Productivity compounds: the supplier earns more, the customer pays less and waits less — the same lever drives all three.

Illustrative example, extending the team-balance scenario on the previous slide: PDR improves 5%/year (compounding) for every mix; blended role rates held constant; market price/FP erodes 3%/year (illustrative). Senior-heavy: margin 42%→55% of cost, delivery +23% faster by Year 5. Junior-heavy margin more than doubles (9%→19%) but stays the thinnest cushion throughout.

From hours to output: a four-step journey

https://agilebenchmark.com/offeroutput-based-contracting

Free NPR5333 Readiness Checklist

0 Readiness Scan

5 working days

You complete a questionnaire; Harold reviews it personally.

YOU GET

Readiness verdict, scorecard across 6 dimensions and a roadmap.

✓Credited against Step 1

1 Baseline & business case

4–6 weeks

We measure your recent sprints with **Nesma EFS** and compare your price per function point with **ISBSG data.**

YOU GET

A fact base: what you pay per unit of output today, what is realistic, and a clear go/no-go.

✓No FP history? We reconstruct it

2 Contract transition

8–12 weeks

We tailor the **NPR 5333 contract set** and agree the targets with your supplier, then run a trial period of about three sprints.

YOU GET

A signed output-based contract or addendum, tested in practice.

✓Trial period without financial consequences

3 Run & review

Ongoing

Independent function point counting, quarterly performance reviews and target adjustments.

YOU GET

Continued confidence that the numbers are right, for both parties.

Our commitment: if the Readiness Scan shows this isn't a fit, we tell you — you keep the baseline and benchmark results, no obligation to continue.

Source: agilebenchmark.com/offeroutput-based-contracting — step names, durations and deliverables shown; pricing omitted.

Key takeaways

Eight things to remember

1

T&M pays for hours, not results

~45% cost overruns, ~56% less value delivered than promised

2

NPR 5333 + Nesma EFS fix it

Agile output becomes an objective, contractible metric

3

Function points, not story points

Non-gameable, comparable across teams and suppliers

4

It's a staged journey

Price per FP has clear, explainable drivers

5

“No data” ≠ “wait”

No historical data is a reason to benchmark, not to delay

6

Your peer group is built, not assumed

Quality, FSM method, industry, size, recency — filtered

7

Price from your own cost

PDR → Cost/FP → bid with a margin, not a rate card

8

Team balance compounds

The right mix pays the vendor more and the customer less — every year

Thank you

Questions are welcome



Drs. Harold van Heeringen

Founder, AgileBenchmark · Immediate Past President, Nesma · Board member & Data Collection Manager, ISBSG

harold@agilebenchmark.com

linkedin.com/in/haroldvanheeringen

www.agilebenchmark.com

Book a Meeting: https://calendly.com/haroldvanheeringen

The four-step journey and NPR 5333 resources: https://agilebenchmark.com/offeroutput-based-contracting