WHITE PAPER

Developing an Effective Scope of Work (SOW)

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Abstract

Creating an effective scope of work (SOW) document is critical for project success, but many organizations fail to develop SOWs or ensure they contain the needed information. Consequently, project owners face increased project risk in terms of project cost, duration, and quality. This article identifies methods to improve the SOW and, by extension, the vendor-selection process, which leads to improved project results, owner satisfaction, and owner-vendor relations.

Process Details

INTRODUCTION

A scope of work (SOW) document is an essential project management tool to use during the planning stage of an IT project. It is what the awarded vendor needs to accommplish, once hired. The SOW should specify the services needed, deliverables, acceptance criteria, and milestones (Overly and Karlyn 2010). Because an SOW acts as a single source of information about the responsibilities of each involved party, it can be used to identify and resolve any scope interfacing issues, thereby limiting risk (ASCE 2013). An SOW should not be confused with a Request for Proposal (RFP) or Request for Needs (RFN). The RFP describes the procedures for how the the IT vendor is selected. The optimal RFP facilitates a fair, open, and transparent selection process that follows legal rules and procedures to promote competition among vendors. The RFN is a Request for Needs from the vendor community that can be used to guide the development of an RFP. These documents will be discussed in further detail as they relate to developing effective SOWs.

Many companies fail to create SOWs or to ensure the SOWs are accurate, clear, and adequate in detail. One reason is that preparing an SOW is challenging, leading to questions about what information it should include and how much detail is needed. The employee tasked with preparing an SOW may lack the technical knowledge to describe the work needed, and with many other pressing responsibilities, he or she may not prioritize developing the SOW. Further, some owners distrust vendors and therefore choose to withhold information, such as project budget.

From vendors' perspectives, SOWs are often unclear, incomplete, and unrealistic. In other cases, they may be too detailed, discouraging vendors from applying their expertise to innovate in ways that

could improve the project (Schamel 2003). Overly prescriptive SOWs can also significantly increase project cost and duration, as well as limit vendors' responsibilities and accountability in the project. The failings of SOWs result in fewer proposals, lower-quality proposals, and less competitive and consistent pricing. Ineffective SOWs also greatly increase project risk for owners in terms of cost and time overruns and even project failure (Overly and Karlyn 2010). The results of legal cases have made it clear that a vendor is responsible only for delivering the services and products specified in the SOW. If an owner fails to expressly identify a deliverable in the SOW, then the vendor is not obligated to supply it (Overly and Karlyn 2010).

Because an SOW is vital in every IT project, this paper presents a method to address common deficiencies in SOWs, thereby improving project planning, vendor selection, and the project implementation phase, as well as greatly minimizing risk for the project owner. Specifically, the paper explains the critical elements in an effective SOW, introduces a process for ensuring that necessary project-specific details are provided, and presents templates to improve the vendor-selection process based on an efficient SOW.

ESSENTIAL ELEMENTS IN AN EFFECTIVE SOW

The vital elements of an SOW that are discussed in this paper were identified by the Simplar Institute, a research group that focuses on organizational assessment, accountability systems, process improvements, and expertise-driven project delivery. For 20 years, the members of the Simplar Institute have collaborated with over 100 organizations across the world in industries such as IT, construction, facility management, manufacturing, health care, and municipalities. Based on collaborating with these organizations on more than 2,000 projects totaling more than $6 billion, Simplar's team has developed best practices for maximizing organizational efficiency, including through attracting and hiring the best employees and vendors, incorporating elements of expertise in project contracts, and measuring results for accountability and improvement. The team's findings have been presented in more than 200 publications and have been shared with organizations through hands-on training and workshops.

The core of the Simplar Institute's system for maximizing organizational efficiency is encapsulated in what Simplar calls Expertise-Driven Project Delivery (XPD). This system contains three main steps—selection, preaward clarification, and performance measurement after contract award (see Fig. 1). These steps can lead to successful results only if they are preceded by the development of an effective SOW.

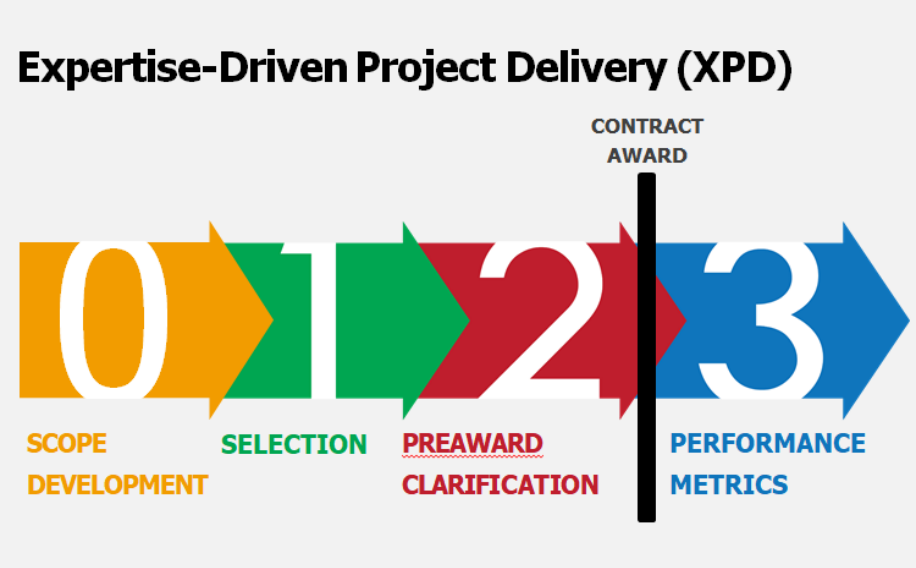

Fig 1. Expertise-Driven Project Delivery (XPD) method for maximizing organizational efficiency.

SOW Development Process

Draft the SOW

The first step in developing an SOW is to think from the perspective of vendors. What information do they need to know about the project in order to determine a realistic and efficient price? What information do they need in order to minimize contingencies? Further, what information—or lack thereof—will discourage vendors from submitting a project proposal?

These questions are answered in the research Simplar has conducted. Based on the research results, Simplar developed an SOW template with several sections:

1. High-level overview of the project: In a few sentences, explain the purpose of the project.
2. Goals and expectations
3. Project/service goals and expectations: Identify the desired outcomes regarding the project. Describe the tasks that must be completed in order to achieve 100% satisfaction at the completion of the project.
4. Vendor goals and expectations: Identify the desired outcomes regarding the vendor. Describe the tasks the vendor must complete in order to fully satisfy to project owner.
5. Detailed description of deliverables
6. Budget: Identify the project budget and whether it is flexible. Provide as much information as possible regarding the budget/estimate.
7. Schedule: Identify any time constraints for completing the project (e.g., hours of operation and completion date).
8. Project/services details and requirements: Identify all the requirements that must be met in order to achieve high satisfaction. Explain the minimum requirements (for the project and the

vendor) that must be completed to achieve goals and satisfy expectations. Provide all specifications, standards, and plans.

9. Additional information: Identify any unique aspects of the project, including constraints, items excluded from the project, and future conditions.
10. Existing conditions/current environment: Provide as much information as possible about the current environment, including background information about the project and the user; the greatest issues and obstacles previously experienced with the project; and, if applicable, how long the service has been in place, the number of years with the current provider, performance documentation, financial data, current constraints, overall satisfaction regarding the project, and what could have resulted in higher satisfaction.
11. Project risks and concerns: Identify any unique information about the project that might affect the project cost, project duration, or other aspects of the project.

In addition to identifying what an SOW should include, it is also important to note what an SOW should not include. Specifically, an SOW should not contain every detail about the project. Providing too many details can discourage vendors from applying their expertise and from innovating—and many vendors will decide not even to submit a proposal.

Issue an RFN

The second step is to issue a request for needs (RFN) to the vendor community. Issuing an RFN is an opportunity to leverage the knowledge and expertise of vendors. The RFN should include the SOW and should be generated with the right intentions. It is important to recognize that the purpose of an RFN is not to survey general capabilities, indirectly seek for data, or see what options are available. Rather, an RFN should be used to answer questions such as the following:

- Is the proposed approach feasible?
- What information do vendors need so they can develop an accurate proposal with minimal contingencies?
- How should the scope be structured? Why?
- What can the owner start working on now to facilitate an efficient project after a contract is awarded?

As with the SOW, an RFN template should be developed to increase efficiency and ensure each RFN includes all relevant content. The template could include the following sections:

- Section 1: RFN overview
- Section 2: Current conditions, including the background, existing services, important data, challenges, and unique aspects of the project
- Section 3: Goals and objectives
- Section 4: Format and submission requirements

Section 4 should contain enough structure to elicit the desired information from vendors. Simplar's RFN template contains four subsections, each on a separate page, and specifies that the vendor's

response in each subsection should not exceed one page. In the first subsection, the vendor is asked whether the specifications described in Section 3 are achievable and, if not, what changes are needed to make the project achievable. The second subsection asks the vendor to identify any options, ideas, and new practices that the project owner should consider for the project. In the third subsection, the vendor has the opportunity to identify any information that would need to be added to an RFP to submit an accurate proposal with minimal uncertainty and contingency included in the cost. The fourth subsection asks the vendor to identify any specific project tasks the owner can begin working on to make the project more efficient once a vendor is awarded the project.

The RFN should is issued prior to the RFP. The vendors' responses will provide critical feedback regarding what information to add to the SOW, such as volumes and throughputs, regulations, schedules, current practices, equipment condition, current service levels, and stakeholder involvement. The more of these categories of information are included in the SOW, the more complete and effective the SOW will be.

Advanced Request for Proposal (RFP) Tools

Beyond the SOW template and the RFN template, implementing an efficient vendor-selection tool can further optimize the SOW. In Simplar's XPD model, the selection phase involves using a standardized request for proposal (RFP) with limits on the length of responses to help ensure the vendors provide comparable information. The six-page document asks the vendor to explain its proposed method of executing the project, plan for controling and addressing risk, and ways of adding value (see Fig. 2). The RFP responses are then evaluated blindly, helping ensure the best vendor is selected for the project.

In the execution section, the vendor explains how it will execute the project according to the SOW. The vendor should list each SOW item and identify its approach to managing risks the vendor can control. Relevant information in this section includes the vendor's technical approach, project- and scope-specific expertise, and quantifiable performance measurements. The purpose of the risk assessment section is for the vendor to identify potential risks not under the vendor's control, identify why they are risks, and explain how the vendor would minimize each risk's impact. In the third section, the vendor lists any options that are beyond the project requirements and add value to the project. For each item, the vendor should identify why the option adds value and what the cost impact is.

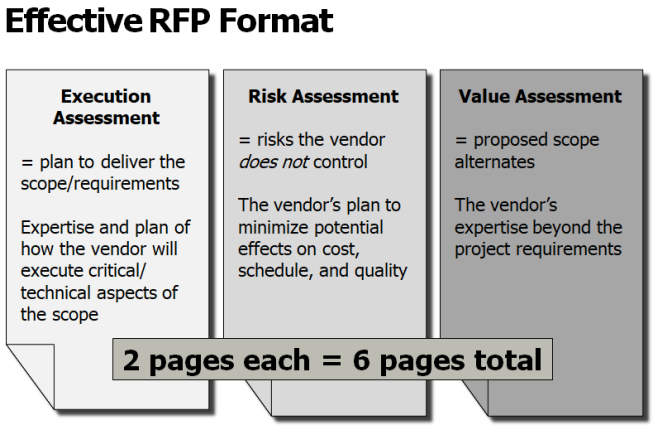

Fig. 2. Elements of an effective RFP connected to the SOW.

Conclusion

When project owners ensure SOWs contain the right information and avoid unneeded and prescriptive information, not only are vendors more likely to submit project proposals but the proprosals are more likely to be accurate, contain fewer contingencies, and offer more value-added options. Overall, an effective SOW decreases project risk for the owner, including in terms of cost and duration, and can improve project quality. Implementing SOW, RFN, and RFP templates can make the selection process more efficient for owners and also increase fairness, transparency, and competition. However, for these templates to be optimally effective, vendors need to be educated on how to complete the RFN and RFP; otherwise, the vendors may fail to include all of the information that an owner needs in order to select the best vendor for the project. Through this process, the owner-vendor relationship becomes less adversarial and the owner can become a client of choice, motivating vendors to offer their best services and prices in order to win a project contract.

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