

Developing an Effective Scope of Work for Operations & Service Contracts

Jake Smithwick, PhD, MPA, FMP, SFP

**The Simplar Institute
University of North Carolina at Charlotte**



Everybody Loves Writing a Scope of Work!



Learning Objectives

- **Identify the elements of an effective SOW.**
- **Effectively utilize templates for developing SOWs.**
- **Understand how to increase vendor innovation in the bidding process.**
- **Contribute to risk minimization in procurement activities.**

Simplar Institute

- Group of **researchers** and **educators**
- Integrated within the **organizations** (clients/buyers and vendors)
- Developed **tools, methods, & training** to enhance:
 - Organizational Transformation
 - Procurement & Sourcing
 - Project & Risk Management
 - Operational Efficiency
 - Human Dimensions
 - Performance Measurements
 - Benchmarking & Workforce
 - Facility Management Professional Training



Google



Georgia-Pacific

TREMCO



Center for
Procurement Excellence



IFMATM

International Facility Management Association

Empowering Facility Professionals Worldwide



WADDELL
& REED



BRITISH
COLUMBIA



DALHOUSIE
UNIVERSITY
Inspiring Minds



City of Lawrence
KANSAS



THE
Water
Research
FOUNDATION



UCI



COMPASS
GROUP[®]



UNIVERSITY OF CALIFORNIA
UC RIVERSIDE



BEST VALUE
EUROPE



NRCA
National Roofing Contractors Association

20+ Years | 210+ Publications | 100+ Partners
2,500+ Projects | \$15+ Billion Procured

Information Technology

Networking Help desk services
Data centers eProcurement
Hardware
COTS software
ERP systems

Facility Management

maintenance custodial
landscaping conveyance
security service pest control
building systems
industrial moving
waste management
energy management

Health Insurance/ Medical Services

Manufacturing

Business/Municipal/ University Services

Dining Services Recycling
Multi-media rights Bookstores
Fitness equipment Laundry
Online education Audio Visual
Document management Retirement Funds
Property management
Communications systems

Construction/Design/ Engineering

Infrastructure	Renovation	DBB
Municipal	Repair	CMAR
Laboratory	Maintenance	DB
Education	Roofing	IDIQ
Hospital	Demolition	JOC
Financial	Development	Low Bid
Specialty	Supply chain	IPD

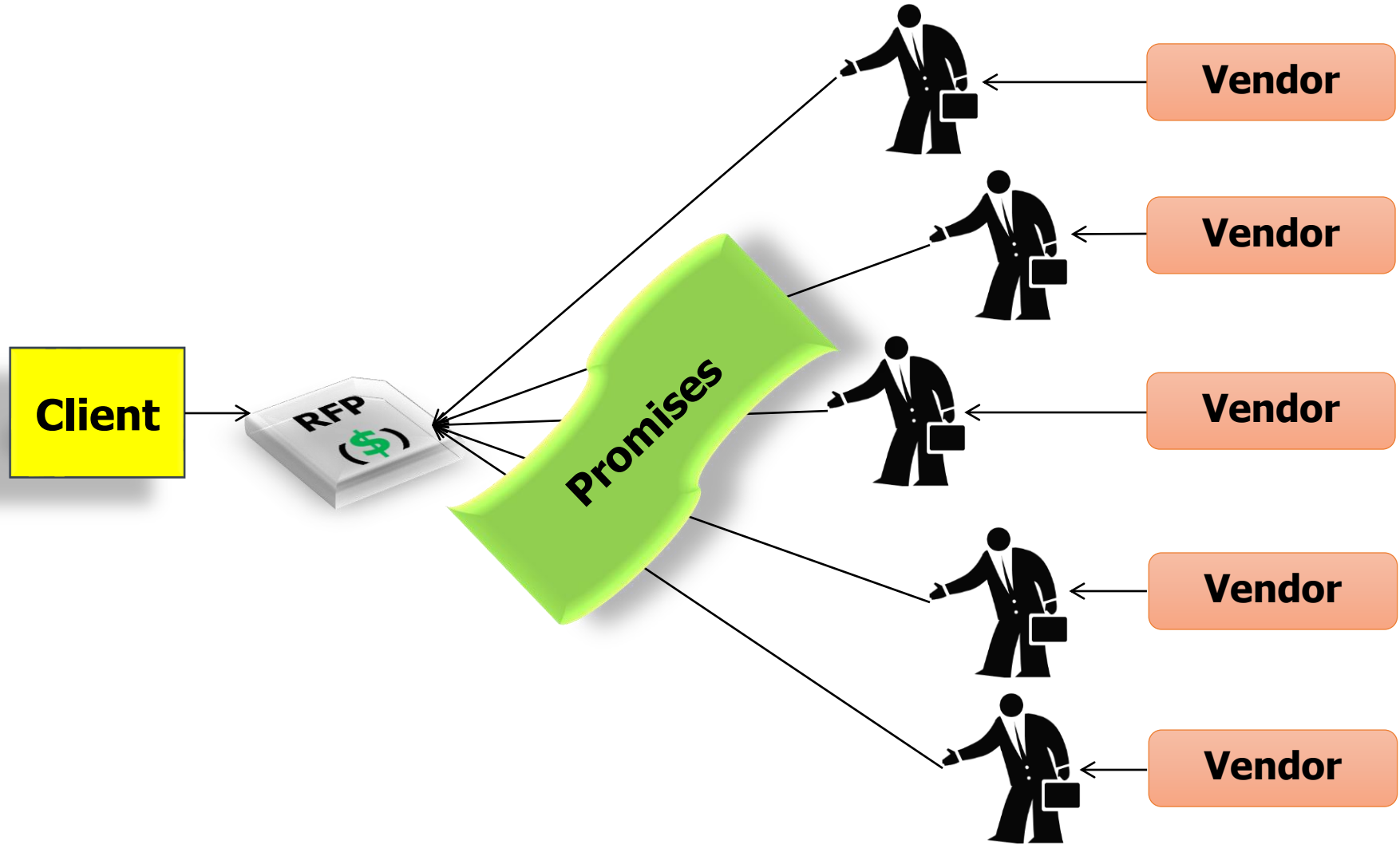
Major FM & Staffing Studies

- O&M Benchmarking (Global)
 - O&M Qualitative Analysis of Facility Practices
- Healthcare FM Benchmarking
- New Global FM Benchmarking Information System
- Return on Investment for Training (Credentials)
- Synthesis of FM Industry Best Practices
- US Roofing Industry & Workforce Demographics
- Workforce & Succession Planning in Construction

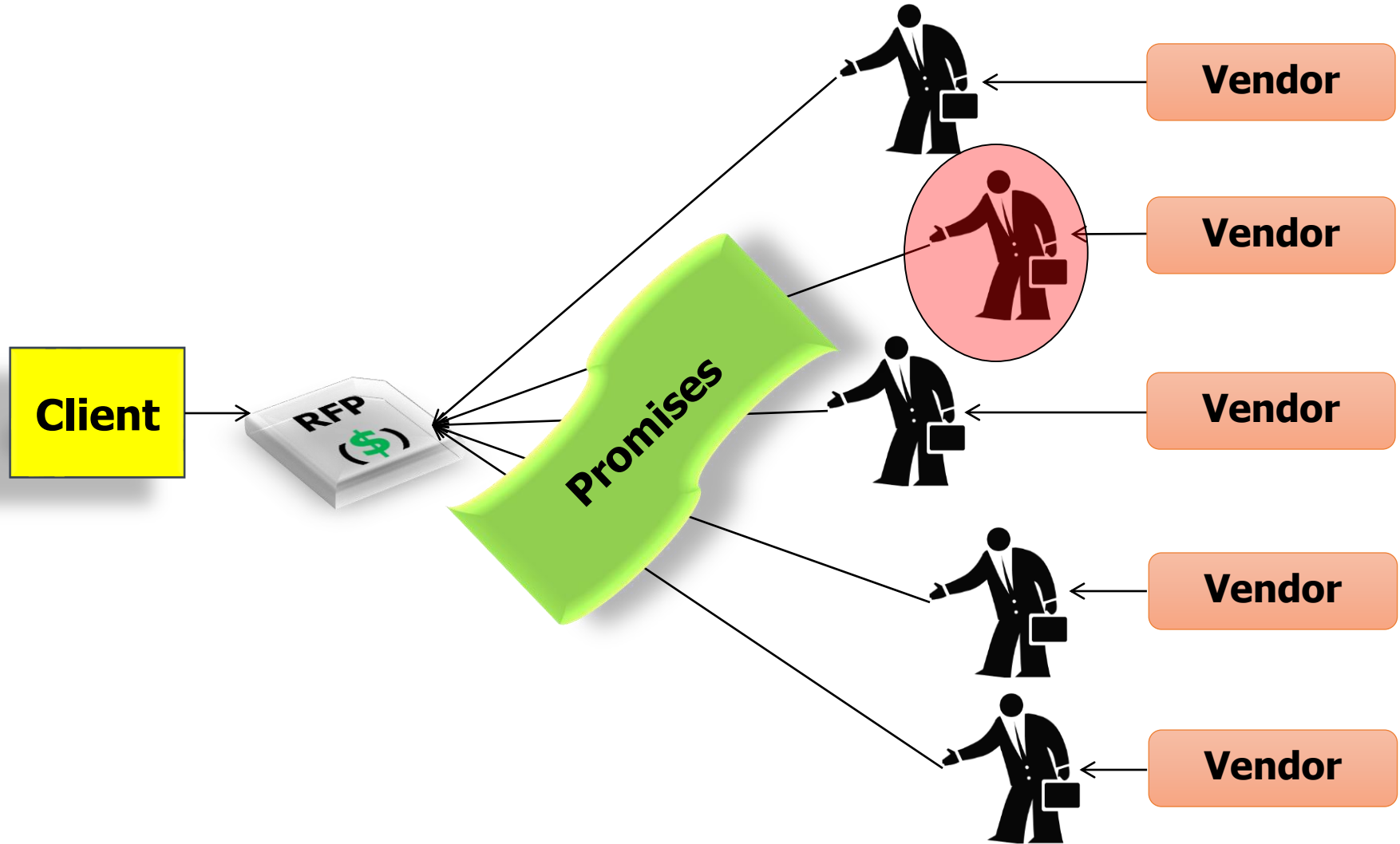


**What Percent of
SOWs / Specs / Reqs
/ CDs / RFPs
are 100% Accurate?**

What we have seen...



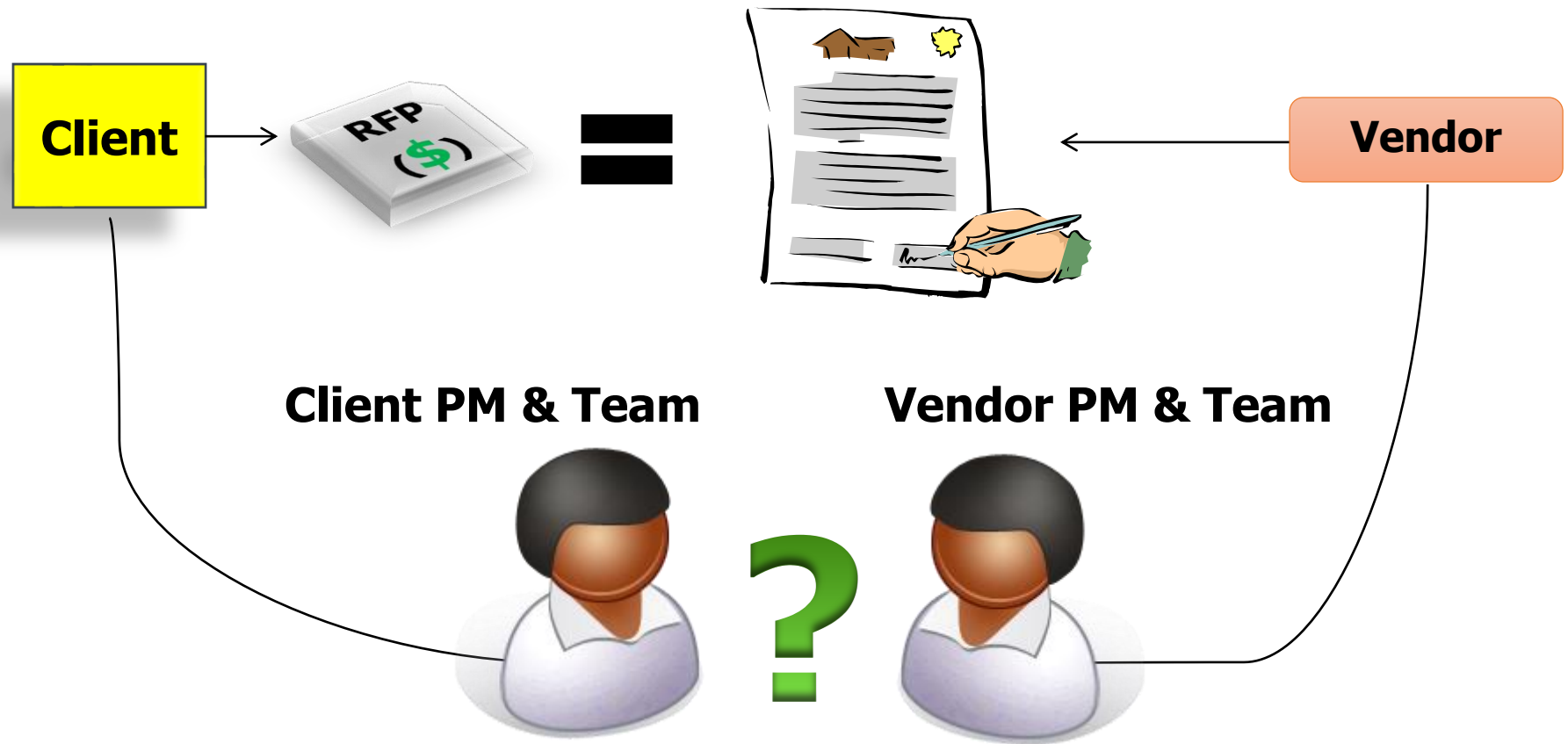
What we have seen...



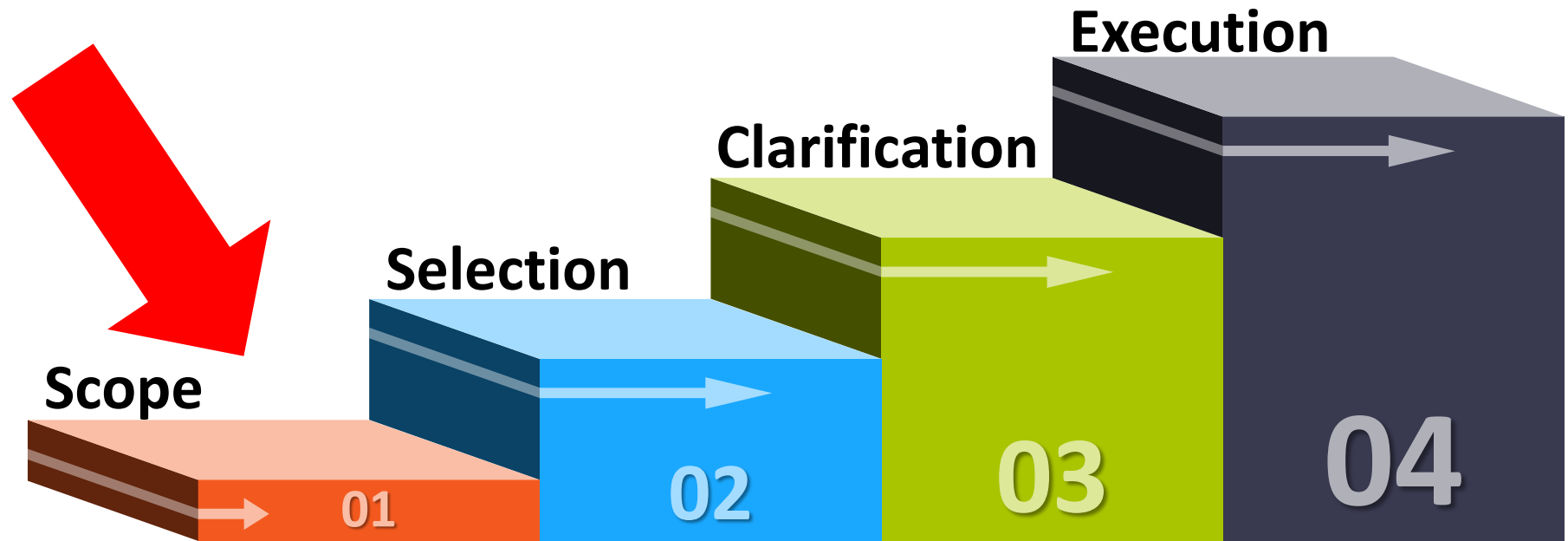
What we have seen...



What we have seen...



Expertise-Driven Project Delivery (XPD)



Frustrations with Scoping

- **Can be very challenging.**

- What to put in?
- What to leave out?
- How much detail?
- What details?
- Don't know what you don't know...?

- **Users have a hard time preparing the scope.**

- Too busy
- Too detailed
- Too technical
- Too prescriptive
- Don't know where to start



Balancing Act: Overly Prescriptive vs. Open-Ended

Scope of Work / Spec / Reqs

Perceptions of Owner SOWs

- **Unclear**
- Information is missing
- **Overly prescriptive**
- Unrealistic
- **Discourages innovation**
- The owner is “fishing”
- **Misunderstands Needs**
- *Procurement is not fair*

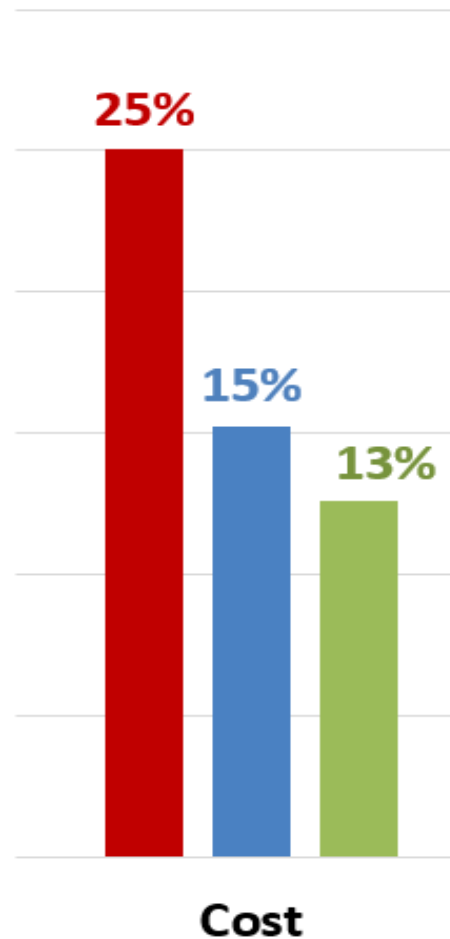


Impact

- **Fewer proposals**
- Low quality proposals
- **Less qualified team/indivs.**
- Less competitive pricing
- **Less consistent pricing**
- Open to interpretation
- **Have to believe the vendor**
- Brings risk to the Owners

Scope Definition vs. Proposal Variation

Variation
between
Proposals



Scope Definition

Poor

Moderate

High

347 projects

**1,850
individual
proposals**

An “effective” Scope of Work requires the appropriate perspective...



UMPIRE MECHANICS

Theory of Proper Positioning

“Angle is primary; distance is secondary;
Closer is better, up to a point.”

TEXAS BASEBALL UMPIRES ASSOCIATION
TBUA

1



What is an Effective SOW?

Core Objective

What would an Expert Vendor need (or want) to know?

ALWAYS question whether the SOW....

- Allows vendors to provide the **best price**?
- Gives vendors **information to plan** their approach?
- Enables vendors to **minimize contingency**?
- Prevents vendors from **walking away**?

Scope Examples

Major Utility Group

- Full Technical Specification: “Pls dig a hol”



University Waste Hauling SOW

5,000+ tons of waste collection
across an urban university campus



- “An adequate fleet of collection vehicles should be used and maintained by the Proponent... It is the [Owner’s] expectation that collection vehicles designated for service should at a minimum...be less than two years old at the start of the contract”
- In order to support accurate measurements towards the [Owner’s] sustainability goals, all vehicles must be solely dedicated to the [Owner] and cannot be used for other sites.

Major Overhaul for a Power Plant (Minimum Qualifications)

- Minimum 10 years experience
- At least 10 projects in procurement and execution of **Design-Build (DB)** contracts.
- Experience in working on behalf of both owners and DB contractors must be demonstrated.
- Minimum of 5 DB projects in [specific State]
- Must have completed 1 DB project working on behalf of a public owner.
- Have completed 1 DB project that was not new construction, but was a refurbishment, remodel, or addition to an existing asset in a secure operating facility.
- And more... certifications, credentials, etc.

Impact of Overly Prescriptive Specs on Vendor Proposals

- “**tie the hands**” of vendors regarding the work and manner in which it is undertaken
- Can significantly **increase cost & schedule**
- **Removes flexibility** to offer strategies & innovations for the specific environment
- **Limits** the maximum accountability & responsibility vendors have to perform

Impact of Open-Ended / Unclear Specs on Vendor Proposals

Quality of Scope



Number of Proposals



Number of Questions & Addenda



Cost Disparity



Eventual Change Orders

SOW Critical Elements

Elements of a SOW

RFP

Request For Proposal



City of New Phoenix

Construction Services
Cafeteria Renovation and Modernization

RFP Number: 760711

RFP Release Date: 05/18/2017

1

2

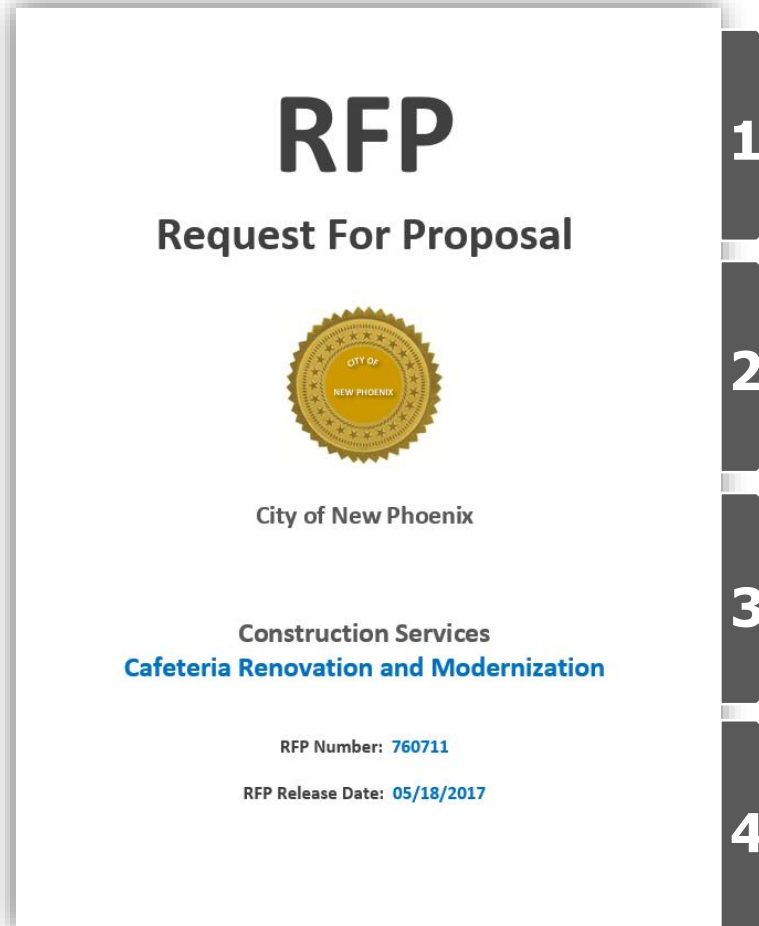
3

4

Scope of Work &
Current Conditions

1. Detailed Requirements
2. High Level Summary
3. Goals or Objectives
4. Schedule Requirements
5. Budget Requirements
6. Unique Considerations
7. Current Conditions!!!

Elements of a SOW



1. Detailed Requirements

1) Detailed Requirements

Content:

- Definition of the “Future State” needs
- Focus on the MANDATORY Requirements
 - Requirements that MUST be met to achieve 100% satisfaction.
- Nice-to-Haves / Like-to-Haves can be described
 - But not critical!

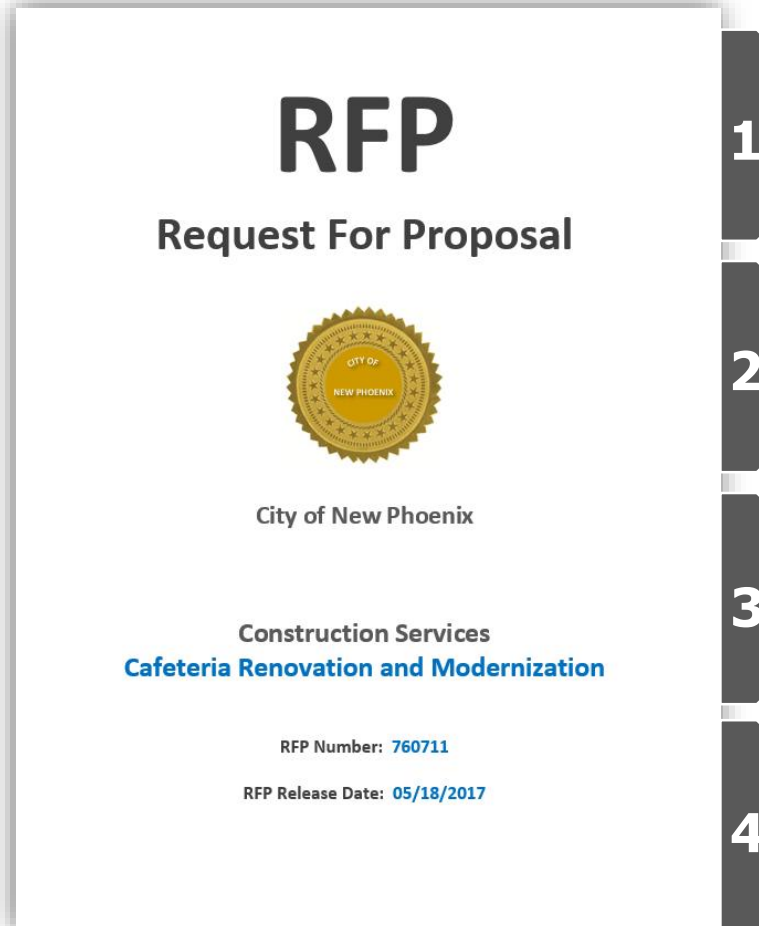
1) Detailed Requirements

Organization:

- Itemized
- Organized into major categories
- Attach (and reference) Exhibits to make this easier to follow (i.e. drawings, specs, pictures, diagrams, site plans, reference files, etc.)
- Do **NOT** need a written response for each requirement

Section 1194.21 Software Applications and Operating Systems - Detail		
Criteria	Level of Support & Supporting Features	Remarks and Explanations
(a) When software is designed to run on a system that has a keyboard, product functions shall be executable from a keyboard where the function itself or the result of performing a function can be discerned textually.		
(b) Applications shall not disrupt or disable activated features of other products that are identified as accessibility features, where those features are developed and documented according to industry standards. Applications also shall not disrupt or disable activated features of any operating system that are identified as accessibility features where the application programming interface for those accessibility features has been documented by the manufacturer of the operating system and is available to the product developer.		
(c) A well-defined on-screen indication of the current focus shall be provided that moves among interactive interface elements as the input focus changes. The focus shall be programmatically exposed so that Assistive Technology can track focus and focus changes.		
(d) Sufficient information about a user interface element including the identity, operation and state of the element shall be available to Assistive Technology. When an image represents a program element, the information conveyed by the image must also be available in text.		

Elements of a SOW



1. Detailed Requirements
2. High Level Summary

2) High Level Summary

- What you are looking to procure or achieve (high level)
- Be as brief and concise as possible - Aim for a few sentences to 1-2 paragraphs (max)
- It could be as simple as describing the goods or services you are looking to procure.
- Avoid any technical language, details, or specifics.
- A lay person with common knowledge should be able to understand what you are looking to procure.

Elements of a SOW

RFP

Request For Proposal



City of New Phoenix

Construction Services
Cafeteria Renovation and Modernization

RFP Number: 760711

RFP Release Date: 05/18/2017

1

2

3

4

Scope of Work &
Current Conditions

1. Detailed Requirements
2. High Level Summary
3. Goals or Objectives

3) Goals or Objectives

- It is important to help the vendors understand what is the driving force & business need for having this project procured.
- Identify the major goals, expectations, objectives, or benefits of the new project or service.
- 3-5 key objectives (max) and MEASURABLE

3) Goals or Objectives

- Provide food & ensure customers are happy



3) Goals or Objectives

- Install a new roof on my building?



Impact of Providing Current Conditions



Elements of a SOW

RFP

Request For Proposal



City of New Phoenix

Construction Services
Cafeteria Renovation and Modernization

RFP Number: 760711

RFP Release Date: 05/18/2017

1

2

3

4

Scope of Work &
Current Conditions

1. Detailed Requirements
2. High Level Summary
3. Goals or Objectives
4. Schedule Requirements

4) Schedule

- Important to clearly define any schedule constraints or expectations that you have (of the good or service).
 - Is there a required date the Project/Service must begin on?
 - Date that the Project/service must be completed by?
 - Are there any special dates or times that the vendor should be aware of that could impact this contract

Elements of a SOW

RFP

Request For Proposal



City of New Phoenix

Construction Services
Cafeteria Renovation and Modernization

RFP Number: 760711

RFP Release Date: 05/18/2017

1

2

3

4

Scope of Work &
Current Conditions

1. Detailed Requirements
2. High Level Summary
3. Goals or Objectives
4. Schedule Requirements
5. Budget Requirements

5) Should you issue the budget?

YES

Elements of Successful SOWs

- **The Budget is the single most important SOW descriptor**
- **Clarifies your technical scope (what you can afford)**

What's the Budget?

- Procure a high performing A/E to design a high-end IT lab
- Budget: **N/A** (Owner did not trust vendors to act in best interest)
- **4** firms attended the site walk, and **2** submitted proposals
- Both firms describe a facility that will be way over budget
- User selects one firm, and has them design project. Still does not trust the vendor, gives **\$1M-\$5M** range but not the budget
- Vendor designs project at **\$4.5M**.
- Client then tells the designer their budget is **\$1.5M**



Research Does Not Show That Providing Budgets Will Result In Higher Costs

- Analyzed 248 RFP's with Budgets
- Advertised Budget = \$222 Million
- Average Proposal = \$143 Million **(36% below budget)**

Budget Recommendations

- 1. If you have a budget, then provide that number**
 - The construction budget for this Project is \$250,000*
- 2. If you don't have a budget, provide anticipated spend**
 - The estimated spend is \$7M in funding per year to support annual licensing & support costs*
- 3. If you have a historic spend, provide that too:**
 - Across the last 5 years, the average annual spend is \$253,500 (+/- 5%)*

Concerns?

If We Provide Our Budget, Vendors Will Inflate Their Costs

Stated Budget = \$100,000



\$99,999



\$99,759



\$99,350



Actual Cost To Do Work = \$50,000

What Can Throw Off This Strategy?

Stated Budget = \$100,000



\$99,999



\$99,759



\$99,350



Actual Cost To Do Work = \$50,000

Only Need 1 Vendor to be Honest!

Stated Budget = \$100,000



\$99,999



\$99,759



\$99,350



Actual Cost To Do Work = \$50,000



\$48,350

Reality: Unlikely To Inflate Their Costs

Stated Budget = \$100,000



\$50,759

Actual Cost To Do Work = \$50,000



\$47,950



\$48,350

2 Scenarios

More Money Than We Need



Scope / Project Requirements

Not Enough Money



Elements of a SOW

RFP

Request For Proposal



City of New Phoenix

Construction Services
Cafeteria Renovation and Modernization

RFP Number: 760711

RFP Release Date: 05/18/2017

1

2

3

4

Scope of Work &
Current Conditions

1. Detailed Requirements
2. High Level Summary
3. Goals or Objectives
4. Schedule Requirements
5. Budget Requirements
6. Unique Considerations

6) Unique Considerations

- Potential issues, risks, concerns, or challenges with this site, location, service, etc.
- Aspects that would make it more challenging or unlike than other projects the vendors have performed.
- Anything else that could cause a potential surprise or pose a significant challenge

Elements of a SOW

RFP

Request For Proposal



City of New Phoenix

Construction Services
Cafeteria Renovation and Modernization

RFP Number: 760711

RFP Release Date: 05/18/2017

1

2

3

4

Scope of Work &
Current Conditions

1. Detailed Requirements
2. High Level Summary
3. Goals or Objectives
4. Schedule Requirements
5. Budget Requirements
6. Unique Considerations
7. Current Conditions!!!

7) Current Conditions

- Easiest to document
- Most critical, but often skipped, ignored, missed



Scope of Work Template

PART #1 - BACKGROUND INFORMATION

1.) **WHAT ARE YOU LOOKING TO PROCURE?** In your own words, briefly explain what the project/service/product is about in order to quickly understand what needs to be procured. Try to describe at a high-level and avoid any technical language/abbreviations.

2.) **BUDGET?** If you have a budget for this project/service/product, please identify what it is.

Do You Have a Budget? Yes ☐ No ☐
If "Yes", What is Your Budget? \$ _____

3.) **ANTICIPATED SPEND?** If you do not have a budget, do you have an anticipated amount of money that will be spent on this project/service/product?

Anticipated Spend \$ _____

4.) **CRITICAL DATES?** Identify any dates that are critical to the project.

Date the procurement is to be completed: _____
Date that the project is to be completed: _____
Date the current contract expires: _____

5.) **RISK:** How "risky" is this procurement? (1 = extremely low risk, 10 = extremely high risk)

Current Satisfaction (1-10) _____

6.) **PROJECT TEAM:** Identify the project manager and other key team members.

7.) **CRITICAL INFORMATION?** Identify any other critical information that may be relevant to the project.

PART #2 - SATISFACTION

1.) **BASELINE SATISFACTION:** Identify your overall satisfaction (with the existing product, system, current provider, current level of service, etc.). Rating is on a 1-10 scale (10 = extremely satisfied and 1 = extremely dissatisfied).

Current Satisfaction (1-10) _____

2.) **REASONS FOR DISSATISFACTION:** If you did not provide a rating of 8 or higher, please identify the greatest issues/challenges that you have encountered. In other words, identify the main reasons you are not satisfied.

3.) **KEY MEASUREMENTS OF SUCCESS:** What are the key metrics or indicators that will be used to determine if this project/service/product is a success? Identify 5 metrics that can be easily quantified (consider cost/fee, satisfaction, quality, time, etc.). Think of how a "non-expert" in this field will know whether this project/service/product was a success.

1. _____

2. _____

3. _____

4. _____

5. _____

PART #3 - CURRENT CONDITIONS

Preparing a "perfect" scope of work can be difficult and challenging. Providing vendors with details and information about the current conditions or environment can be essential for them in understanding what your true objectives are. This information can be just as useful as providing a great scope of work. Provide as much information about known conditions (as reasonably possible) so that the vendor can understand the current environment.

1. **LOCATION CONSIDERATIONS:**

a) Where is the project/service/product currently located? _____

b) Will the replacement be located in the same location? _____

c) Any issues/risks/concerns that you have or foresee with the future location? _____

d) Anything that makes this location unique (that vendors may not be used too)? _____

2. **RENEWAL SERVICES:**

a) Is this a "renewal" of an existing service, or is there currently a service/product/system in place?

☐ This is a renewal
☐ This is not a renewal, this is brand new
☐ This is not a renewal, but this is something we have done internally

b) How long has the service been in place? _____

c) How many years has the current provider been in place (or has this been done internally)? _____

d) Why is this being re-procured?

☐ Current contract is ending
☐ Unhappy with current service/product/system
☐ Looking for improvements
☐ Provide additional comments _____

e) What major issues have you had with the existing/current service/product/system (are there any issues that you expect the new service/product/system to avoid or address)? _____

f) What major issues have you had with the existing/current vendor? _____

3. **CRITICAL DATA:**

a) What critical data do you have on the current service/system/product? Once again, this will help paint a picture of your current environment so the vendors know where you are at, and/or the minimum level of service expectations. Things to think about: volume of work, size, number of transactions, number of users, number of stakeholders, work orders, response times, reports, etc.

b) What critical data are you missing (data you don't have or won't be able to get) that might be critical to the vendors? _____

4. **BACKGROUND INFORMATION:**

a) Provide a summary of the current environment: _____

b) If applicable, provide a summary of the existing service (what it does, how it operates, the critical functions, how it impacts the organization, the stakeholders, people involved, critical key reporting, what people like about the current system, what the weaknesses and constraints are, etc): _____

c) If applicable, provide a summary of the existing vendor (what they do, how they operate, the critical functions they perform, how their service impacts the organization, the stakeholders they are involved with, key reporting that they provide, strengths of the current service provider, weaknesses and constraints, etc): _____

5. **CONSTRAINTS:**

a) Identify any current constraints or issues that this project/service is facing. _____

b) Is there anything that is different or unique about this project/service (that would make this more challenging for vendors)? _____

c) Are there any future or related projects that may have an impact on this project/service? _____

Additional Information

- **Project location**
- **Roles, responsibilities, and involvement (of the Owner) throughout the duration of this project/service**
- **Alternatives or options that you would like to consider**
- **Any assumptions that you have made**
- **List future conditions, outside of this scope that the vendor should be aware of**
- **List anything that is excluded from this project/service**

Don't Mix other RFP Sections within the SOW!!!!

RFP

Request For Proposal



City of New Phoenix

Construction Services
Cafeteria Renovation and Modernization

RFP Number: 760711

RFP Release Date: 05/18/2017

1

Scope of Work &
Current Conditions

**What we are
hiring the
vendor to do**

2

Evaluation
Procedures

3

Administrative
Requirements

**How we will
evaluate
and select
the vendor**

4

Attachments &
Exhibits

The Key to SOW Development

Issue an
RFN
to the Vendor
Community

But with the RIGHT intentions...

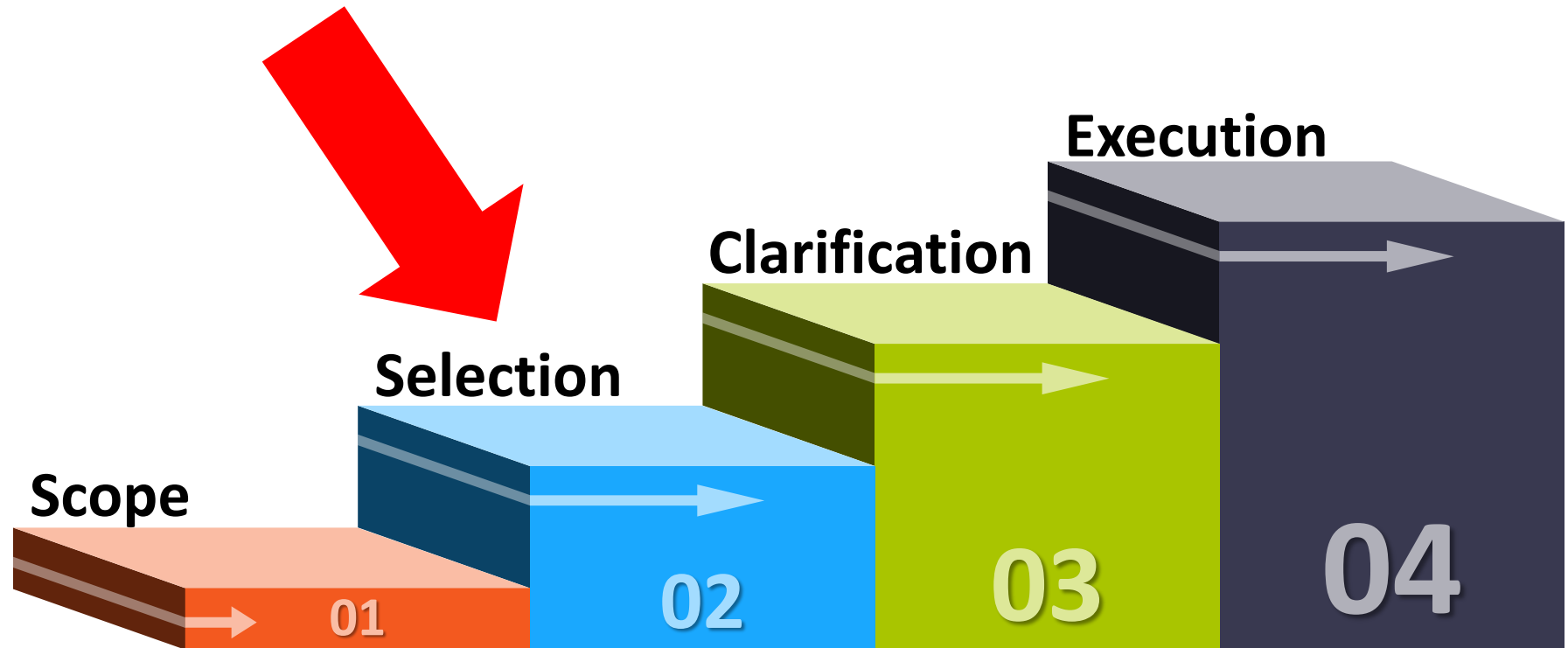
An RFN is NOT...

- Surveying general capabilities...
- Fishing for data...
- Seeing what's out there...

Questions that an RFN can Answer

1. What information do Vendors need in order to develop an accurate proposal?
– with minimal contingency?
2. How should the scope be structured (and why)?
3. What can the Owner begin working on now to facilitate an efficient project once it is awarded?
4. Any other specific questions...

Expertise-Driven Project Delivery (XPD)



White Paper – XPD Overview

www.simplar.com/resources

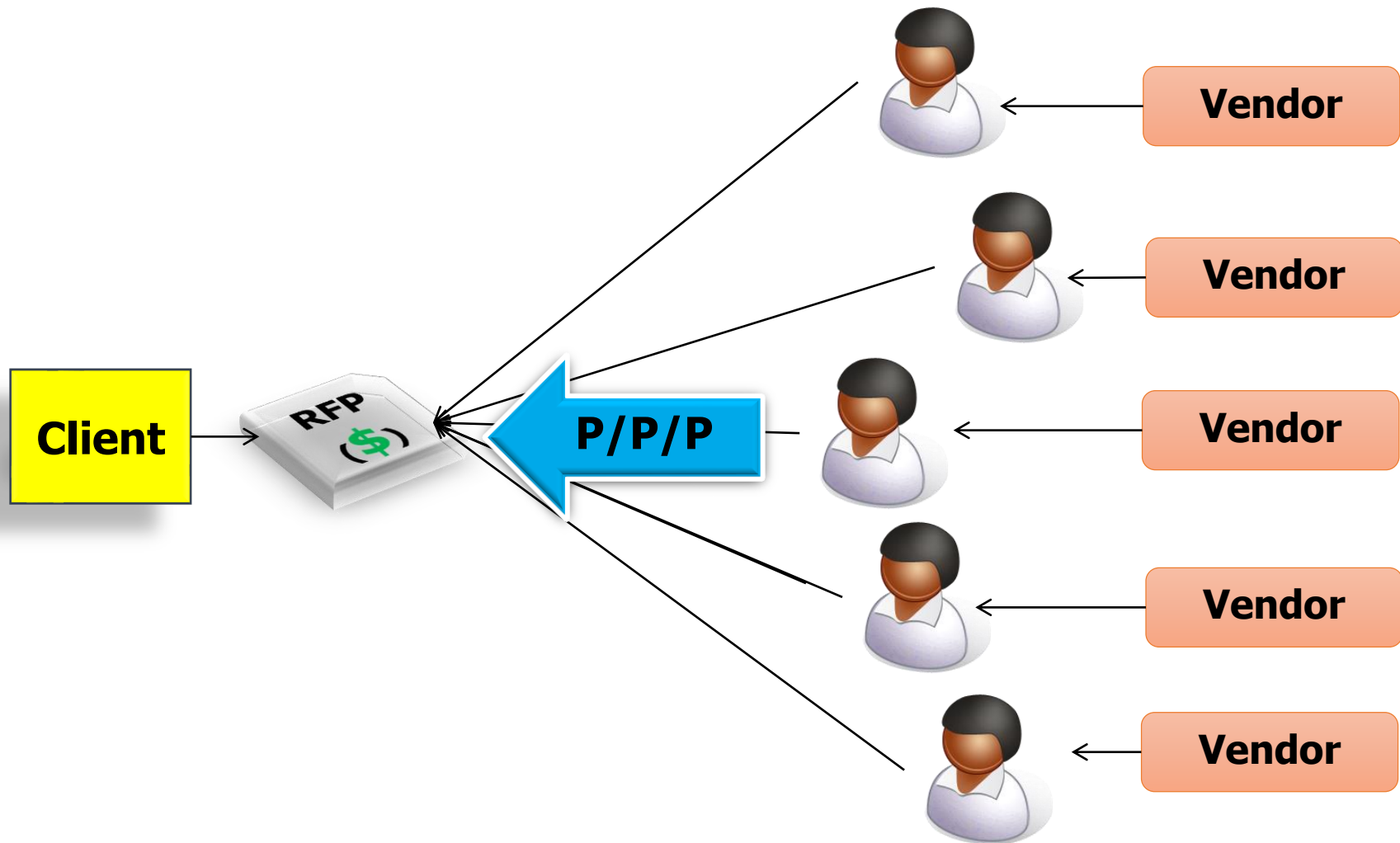


**"Spend Less Money and Get More Done:
A Practical Guide to Hiring Experts"**
Free Webinar: September 11 @ 12pm CT

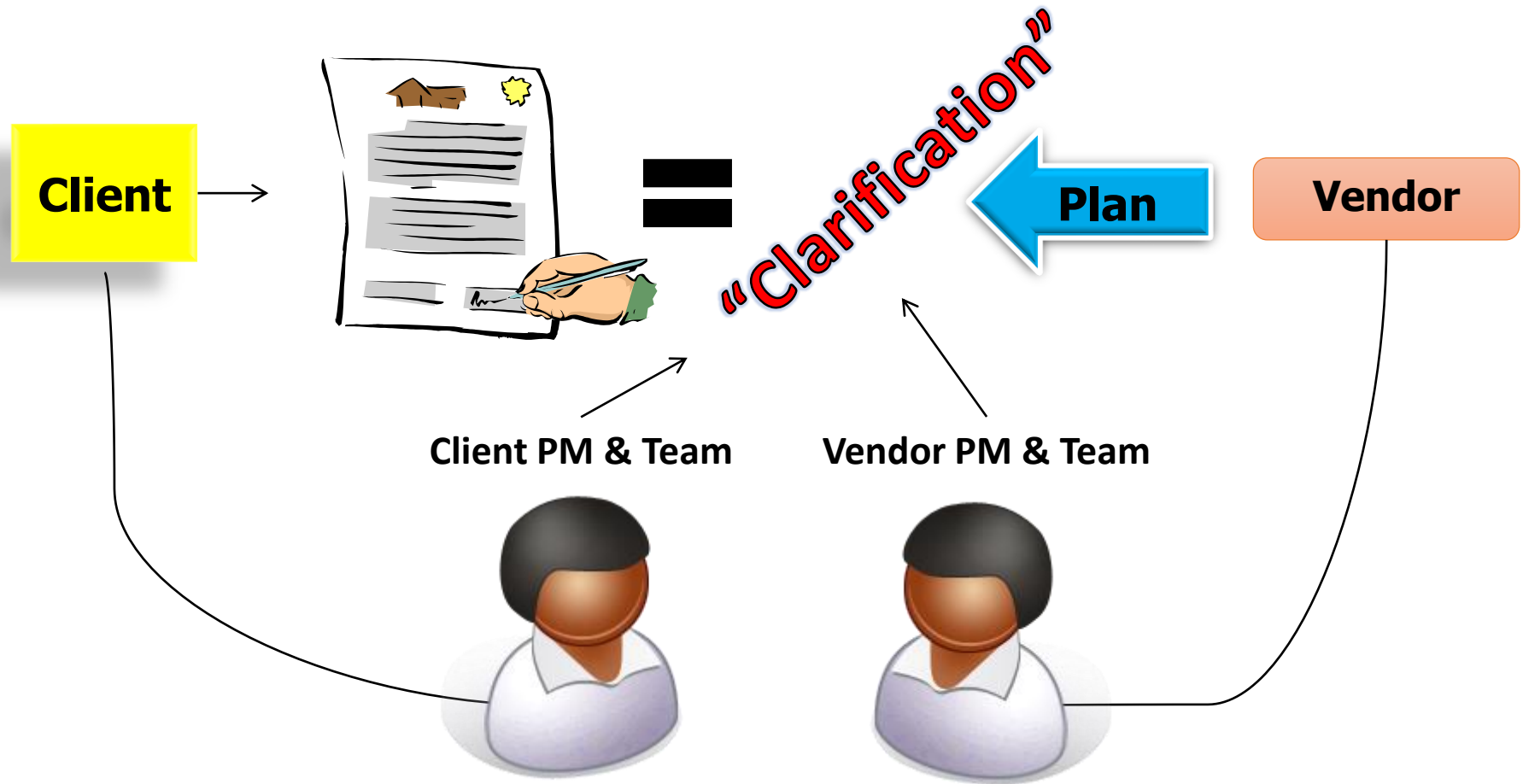
Expertise-Driven Project Delivery (XPD)



Selecting...



...Leveraging = Plan before you Sign



Damage to Rocket-Launch Structure

Is There Anything You'd Do Differently?



Kickoff Planning – Increasing Transparency

(Demolition & Site Prep)

- The contractor proposed an alternative procedure for removing damaged steel panels:
 - ***\$1 Million cheaper*** than the specified process
 - ***Faster*** than the specified process
 - ***Safer*** than the specified process

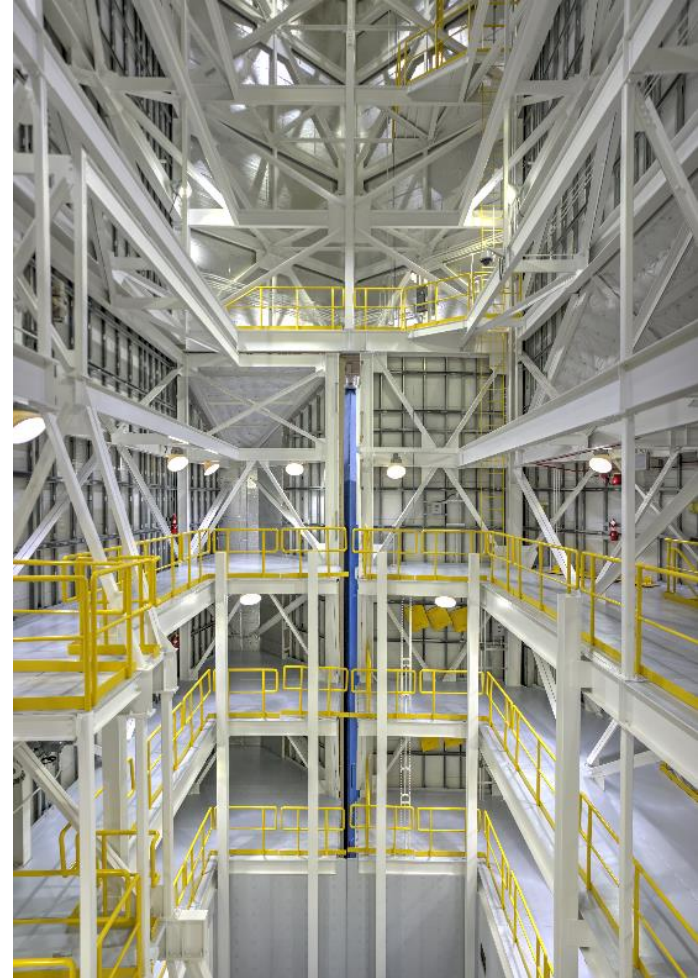


Final Result

- Finished **ahead of schedule**
- **0 change orders** or cost increases
- User saved **60% in cost** compared to the ave.



Update Jan 2017



Conclusion & Takeaways

RFP Tools & Templates



- CPE provides RFP templates, training, and certification
- Roofing, Custodial, Dining Services, and more
- Legislative policy review & procurement best practices

www.center4procurement.org

Where Simplar Can Help

- Assist in scope development
- Writing the RFP for your project or services (IT, any service, construction/design, etc.)
- Running the Procurement so you can hire the best value
- Facilitate partnering with your vendor and Risk Management

RESULTS:

- We can reduce total procurement time by **50-75%**
- **Better pricing**, fewer change orders, minimize delays
(avg. 70% reduction change orders and delays)
- **Reduce your time managing** your vendors by 30-60%
(high performers don't need you to tell them what to do)

Doing projects the right way does more than just save time and money... it makes you happier 😊

Final Thought

Don't just focus on the big projects

Often more savings can be found in improving the year-after-year mid- to smaller-size projects and services

Jake.Smithwick@uncc.edu