



Session Code: **HI**

**“Writing an Effective Scope of Work:
The First Step to Supplier Performance”**

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What is a Scope of Work?

- **AKA:**
 - Statement of Work
 - Scope/Statement of Services
- **It:**
 - covers the business details of the performance or delivery project - Who, What, When, Where, Why
 - includes deliverables, timeline, acceptance criteria, and roles and responsibilities
 - Describes the obligations of the parties for:
 - the performance of a service
 - the delivery of a product
 - or both

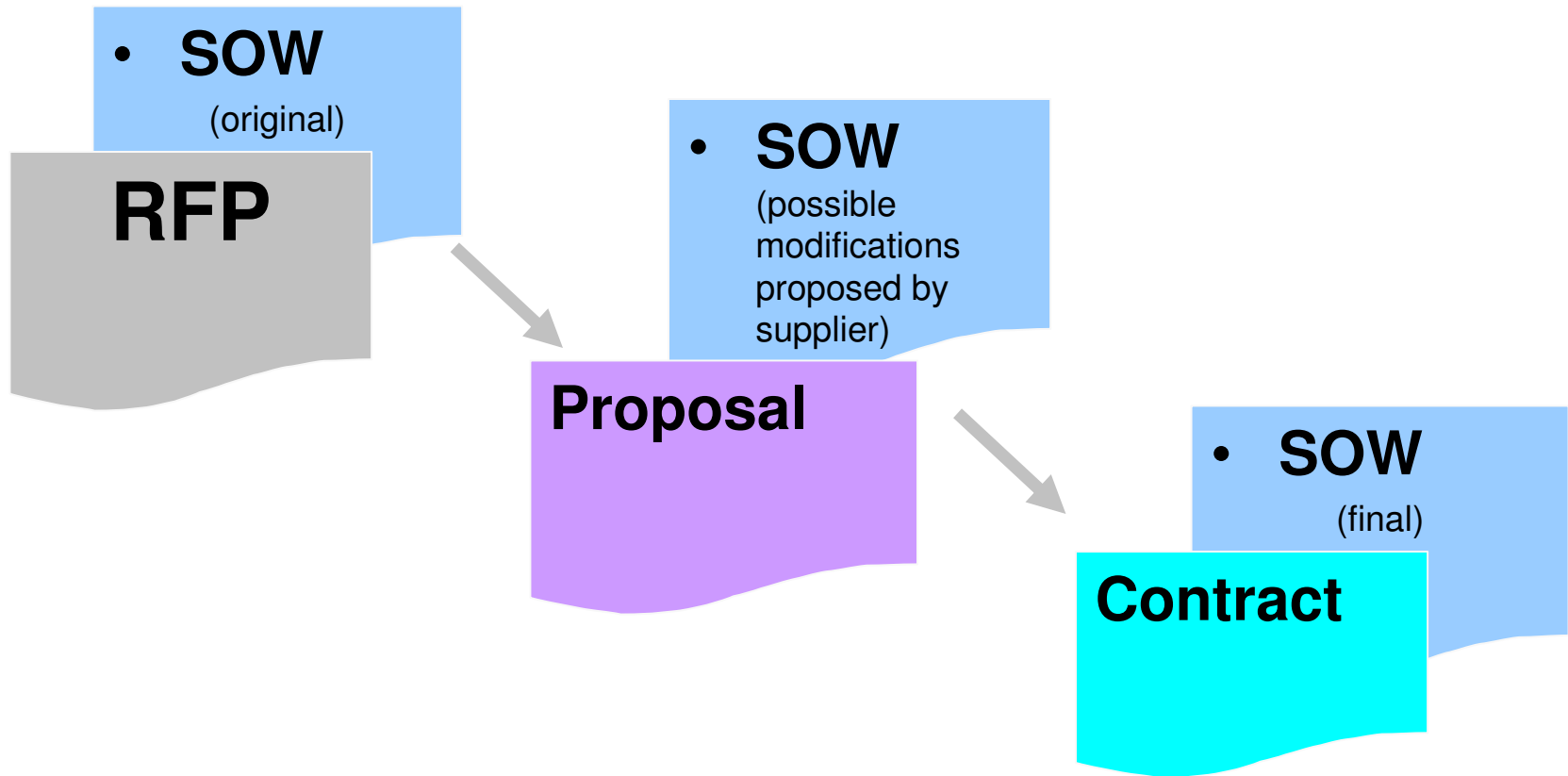
No “Standard” SOW

- **Is a unique document** - varies by commodity, customer and project
 - **Scale:** May apply to one or many purchases
 - **Timeframe:** Covers a brief time period or term of agreement
 - **Pricing:** Fixed price, time and materials, a per-unit rate or rate-schedule, or no financial figure at all
 - **Level:** Level of detail will vary (be as detailed as possible)
- **No “standard” template exists**

Purpose of the SOW

- **Used to define what services or combination of goods with services are being purchased**
 - Requires company (internal customer) to clearly state needs/ requirements of the supplier.
 - In Request For Proposal (RFP) Process
 - Brings bidding to a level playing field
 - Leads to more accurate bidding
 - Creates baseline for supplier proposals and work effort
- **During performance of agreement**
 - Creates standard for defining performance
 - Ensures buyer's requirements are met
 - Establishes legally defensible position in a contract dispute

How does the SOW fit in?



A Good SOW...

- **Answers the 5 W's:**
 - **Who** - define roles and who is to perform the service
 - **What** - define goods, services and exceptions, exact scope and size of SOW, including quantities
 - **When** - start and stop dates, milestones, project plans and timeframes, frequency
 - **Where** - to perform services, deliver goods, exceptions
 - **Why** - may have a “background” section
- **Details the responsibilities and deliverables of both parties**
- **Ensures company gets what it pays for**

SOW Roles and Responsibilities

- **Internal Customer's Role**
 - Provides/authors the content for the SOW, in as much detail as possible
 - Details the who, what, where, when, why
- **Supply Management's Role**
 - Help internal customer get started
 - Guide internal customer through the build process
 - Facilitate discussions with customer and supplier(s) to finalize
 - Review operational and business edits
- **Use Team Approach**
 - Most successful

Is a SOW Needed?

- **For all Good and Services EXCEPT:**
 - Off the shelf items
 - Catalog priced items
- **If they have a service involved with one of above, need SOW**
 - i.e., copiers that include maintenance, training, set-up, consumables, etc.

Choose the correct SOW type for your services contract

- **Functional SOW**
- **Performance-based SOW**
- **Detailed / design SOW**
- **Level of Effort SOW**

Functional SOW

- **Defines the final result**
 - What are you “trying to do”?
- **Allows creativity achieving that result**
 - Method and design of solution
- **Usually does not contain specifications**
- **Example**
 - Advertising campaign

Performance based SOW

- **Defines the outcome of the work**
- **Contains detailed specifications**
 - Broken down into tasks describing the required outcome performance of the task(s).
 - i.e., How many days per week office vacuumed
- **Possibly includes:**
 - Methodologies
 - Blueprints
 - Travel requirements
 - Personnel requirements
- **Supplier has the “how to” responsibility**

Design SOW

- **Defines how the work will be done**
 - Method and design
- **Does not specify the performance attributes**
- **Very detailed**
- **Supplier follows blueprints, design specifications**
- **No room for supplier creativity**
- Used in construction and manufacturing of goods or equipment projects

Level of Effort SOW

- **Describes the performance attributes**
- **Can specify the method and design**
- **Does not detail the end product**
- **R & D type projects**
- **Is quantity-based**
 - (i.e. by the day, by the hour).
- **For commodity type services**
 - (temp labor, data entry)

Is Your New SOW affordable?

- **Many internal customers “overwrite” their SOW**
 - Want a Mercedes, but have a Chevy budget
- **What is the possibility of performance?**
 - Make certain that a supplier can actually perform the work.

Use Fixed or Time & Materials (T&M) Pricing?

- **Use Fixed Price...**

- When timelines and deliverables can be reasonably identified and defined
- Where there are budget constraints
- Where it makes sense to let the Supplier manage the process of delivering a defined product or service

- **Use T & M Pricing...**

- Where Company is “retaining” a set level of resources
- When actual deliverables will be determined by future business drivers
- Where periodic costs will vary according to Company’s demand for the product or service at a later date

Fixed Price vs. T & M

	Fixed Price	T & M
Definition	Set price for all deliverables regardless of time or effort spent	Cost of services based on time and effort spent (typically time billed on hourly basis)
What is Company buying?	Results (deliverables)	Resources (people) plus products
Who is ultimately responsible for project success? Who manages the deliverables?	Supplier	Company
Time to Negotiate agreement	Longer—the Supplier must consider risk factors.	Relatively short– the Supplier is nearly guaranteed a profit.
Scope Creep	Responsibility of Supplier to identify and challenge	Must be managed by Company
What happens if/when budgeted \$\$ run out?	Supplier is obligated to perform within the agreed upon SOW criteria	Supplier will probably insist on more money or quit working

SOW Language Rules

- **Use plain and simple language**
- **Use non-proprietary (generic) terminology and references**
- **Use present / active tense verbs**
- **Avoid jargon, vague terms, rambling sentences**
- **If acronyms are used, provide definitions**
- **Be precise**

This is your English lesson for the day!

SOWs and Contract Law

- **SOWs governed by contract law**
- **MYTH - writing a vague SOW gives you the advantage to interpret favorably later**
- **TRUTH - you bear the burden of clarity in a SOW**
 - **Contract law** - where parties may reasonably interpret a contract provision in different ways, courts may rule against the drafter of the provision
 - Supplier cannot be required to guess company's intended interpretation
 - Any ambiguity may be interpreted in supplier's favor and against company if company drafted the SOW

SOW Do's

- **Complete the SOW *before* work begins**
- **Make the SOW contractually binding by incorporating it into the contract**
- **Be consistent with your contract terminology**
- **Focus on deliverables, not tasks**
- **Write clearly and concisely**
- **Only include what you require**
- **If scope changes, amend the SOW or add a new incremental SOW**
- **Have a supplier review for technical content**

SOW Don'ts

- **Don't answer the "How" question**
- **Don't use vague language**
- **Don't over-specify**
- **Don't have the supplier write it**
- **Don't include any legal terms or clauses in the SOW that are covered in the contract**

Possible SOW Content

- Scope / Background
- Deliverables
- Delivery / Performance Schedule
 - Timeline; milestones
- Packaging, Packing, Marking, Shipping Instructions
- Technical Specifications
- Inspection, Test, Acceptance criteria
- Supplier resource requirements
 - Identify subcontractors
- Management tools
 - Reporting / ops reviews
- Company's obligations and assumptions - less is more
- Applicable Documents
- Costs

Things you never want to hear about your SOW

Supplier says:

“Never mind what the agreement states; the SOW says that we are not liable for property damages! And the SOW supercedes the agreement!”

...

- SOW = business terms only
- Don't give away rights in a SOW, that you worked hard to obtain in the agreement
- Avoid changing legal terms in SOW
- Ensure consistency with the agreement and company's defensibility in case of a dispute

**Supplier says:
“Oh, the mission critical feature? I think we
can have it ready by second quarter of next
year. We’ll try our best.”**

Important criteria for Statements of Work:

- Detailed specifications
- Performance requirements
- Milestone and acceptance criteria
- Payment after acceptance
- Warranties / remedies for non-conforming products or services

**Supplier says:
“That’s funny..... the software works back
at our offices.”**

- The SOW needs to document what you need, not what the supplier wants to sell
- Ideally, the internal customer should author the SOW

**You just took over a project and discover,
“Yikes! Our million dollar consulting project
is only about 50% done and we’re out of
budget dollars!”**

- Did the SOW state the deliverables
- Fixed price agreement might have made sense

**Supplier laughs:
“OK, in this SOW, what’s the difference
between MFD, PDF, ITI and OAC?”**

– Be specific

- Avoid commonly used acronyms or slang
- Avoid industry jargon
- Avoid un-defined capitalized terms
- If you can’t avoid them, define them

Supplier says:

“That account rep is no longer with us. Sorry, nobody on our sales team remembers anything about that commitment.”

...

- If the SOW was specific and clear, you will be able to verify the commitment.
- Defining the “who”, “what”, “when”, “where” and “why” will minimize disputes
- If it is not in the SOW or the agreement documents, it may not be part of the deal

Product SOW - Sample

- **Scope**

- Company is soliciting suppliers of unsaturated polyester resin and vinyl ester resin to support its requirements for the next 36 months.
- Annual polyester resin volume is approximately 15,000,000 lbs.
- Vinyl Ester resin quantities are typically around 5,000,000 lbs annually, but vary based on specific job requirements.

- **Specification**

- Resin is a promoted, corrosion grade, 1:1 Isophthalic resin made with 100% PG and cooked to an average molecular weight of 500 - 575. The resin contains no fumed silica, 35% BYK 605 and 98 phr to be added by the supplier.

- **Pricing**

- will be based on bulk quantities delivered to company's locations and will include freight charges.

Services SOW – Lawn Care Services

- **Scope/Background**

- To provide lawn care services at Company facilities in Missouri. Sites listed on Exh A.
- Lawn maintenance should include but is not limited to the following specifications: Growing Season is approximately April to October.
- Sites will be categorized as High Profile, Medium Profile, or Low Profile on Exh A. Each profile contains the specific tasks to be performed at each visit and frequency of services.

Lawn Care Services SOW (cont'd.)

- **Specification:**

- ***High Profile location – Perform Weekly***

- 1. Lawn mowing, edging and trimming WEEKLY throughout growing season to a height of 2-3”.
- 2. Fence lines around perimeter of lot to be kept clear of trash and vines removed from fence and fence line. Weedeat around fenced generators or towers.
- 3. Flower beds and planting areas kept free of weeds, if applicable
- 4. Flowers, shrubs and trees should be kept in healthy, blooming condition, season providing.
- 5. Trees and shrubs pruned as needed.
- 6. Leaves raked and bagged as needed.
- 7. Walks and parking lots blown free of debris and grass clippings.
- 8. Blow grass clippings AWAY from air condenser units.
- 9. Trash picked up throughout all grass and planting areas, parking lots, sidewalks, and around trash containers.
- 10. Provide labor for fertilizer and chemical applications annually or as needed. Fertilizer and Chemicals to be included in bid amount.
- 11. Plants and trees checked for insects and disease once a month. Local supervisor will be notified if insects or disease requiring special attention is observed.
- 12. Monthly inspection of sprinkler systems to ensure proper operation, where applicable.
Lawn should be watered after working hours
- 13. Gravel areas should be sprayed to kill weeds and grass as needed.
Never spray chemicals along perimeter of building to kill grass or weeds.

Lawn Care Services SOW (cont'd.)

- ***Medium Profile location – Perform Bi-Weekly***

- 1. Lawn mowing BI-WEEKLY throughout growing season to a height of 2-3".
- 2. Trim, edge and weed control each visit.
- 3. Fence lines around perimeter of lot to be kept clear of trash and vines removed from fence and fence line.
- 4. Trees and shrubs pruned as needed.
- 5. Leaves raked and bagged as needed.
- 6. Walks and parking lots blown free of debris and grass clippings.
- 7. Blow grass clippings AWAY from air condenser units.
- 8. Trash picked up throughout all grass and planting areas, parking lots, sidewalks, and around trash containers each visit.
- 9. Gravel areas should be sprayed to kill weeds and grass as needed.
Never spray chemicals along perimeter of building to kill grass or weeds.

- ***Low Profile location – Perform Monthly***

- 1. Lawn mowing MONTHLY throughout growing season.
- 2. Besides frequency, services provided are identical Medium Profile Location.

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Sample SOW's

Available at www.napsm.org/sow/sow.htm

- Generator Maintenance Services (very comprehensive)
- Pest Control Services (comprehensive)

ISM Bid Specifications database

<http://www.ism.ws/OnlineGuides/BidSpec00.cfm>

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Thank You