Statement Of Work [SOW]

Idea In Short

They say a journey of a thousand miles begins with a single step. In engagement management, that first step is usually the statement of work. It's an essential document detailing everything that goes into an engagement. Getting it right is necessary for engagement success.

A statement of work (shortened as SOW) is a legally binding document & an essential component of a client-vendor contract. It ensures the engagement follows expectations & agreed-upon guidelines. It also summarizes what's within & out of scope to mitigate scope creep & what the engagement cost covers, among other things. The SOW is frequently the first deliverable that a client sees so it needs to be done right & delivered on-time. The SOW should tell a story. It starts with the "why", then moves to the "how" & "what", followed by the "when", & "how much". Everything should be cohesive with a flow so that it is easy to follow. Contrary to what many people believe, the Statement of Work is not a sales tool. It should only be given to clients after you have the clients' agreement as to the scope, schedule, key assumptions & price. The SOW is a legal contract used to document the agreement only after the business terms have been agreed. This preliminary agreement can be verbal, by email or by PowerPoint. This means that if there are price issues, have those negotiations before the SOW is presented.

What makes up a statement of work?

There is no one standard way to create a statement of work. Different organizations may approach this process differently. However, most SOWs contain the following elements:

Objectives

This section defines the why. The objective section states the business objectives of the engagement. This ensures that we have clarity as to why we are performing this work &

begins to weave the story. You can also discuss the engagement's expected results in this section. Objectives must be realistic, reasonable, & measurable. For example, this engagement will:

- Increase data security by replacing obsolete software systems
- Design a modern e-commerce website that engages users & generates revenue
- Implement a benefits package that will reduce employee attrition rate by 35%

Scope

The scope section describes the engagement's boundaries, what's within & out of scope, & what's necessary to achieve the engagement's objectives. This part defines the how & what of the story. The scope section defines the work to be performed & how the process will look like. For example, the details can include:

- High-level outline of the engagement process / methodology employed
- Brief overview of the process steps
- Description of the work location, tools, equipment, software & hardware systems
- Special skills & resources needed to get things done

Do not give the client options or alternatives in the scope. All the decisions should have been made by now. The SOW should be written as definitive statements.

Deliverables

This section should list everything the engagement is expected to deliver & when they'll be produced. Include the relevant details, such as the impacted business processes, milestones, etc. In some cases, you may include tasks within the list of deliverables. If you do, you should also define whether the client or the consulting firm is responsible for performing those tasks. However, enumerating the tasks in this section is not a best practice. Deliverables are items that you deliver to the client for their review & approval. For example, an Engagement Brief or a Current State Assessment Report are deliverables. However, presenting the Assessment Report is not a deliverable because it is a task. Though status reports are important, do not flag status reports as deliverables. For example:

- Process re-design: Two concept drafts within 2 weeks of receiving the current

process diagrams
- Current State Assessment Report: A report on the current state of Enterprise IT security
- Prototype: Wireframe design & click dummies for a new eCommerce website

Schedule

This schedule section defines the when & provides a detailed timeline. This section provides an overview of what the engagement schedule may look like, with such details as crucial tasks, project milestones & deliverable due dates. At a minimum, it should include all the client touch points. Depending on the engagement, start dates may be optional.

Commercials

This section defines the how much aspects of the story. The pricing section needs to include the price including both time of staff & outside expenses. It should also discuss the pricing assumptions such as is this fixed price or time & materials, how other expenses such as travel costs, license fees, etc. are handled. This section should also include the payment terms & payment schedule. If payments are based on the achievement of a milestone / deliverable, this section should explicitly identify those deliverables as well as how & when the client should make those payments.

Assumptions

Documenting assumptions in your SOW is extremely important. Include any assumptions you made when scoping & estimating the engagement. Do not include assumptions that are not related to the scope. If you do not have a Master Services Agreement [MSA] or Professional Services Agreement [PSA] with the client, use this section to document the key MSA/PSA terms.

Signatures

This section contains the client signature & the signature of the consulting firm's signatory authorities overseeing the engagement. These could be the Engagement Partner or Engagement Manager. You should not start the engagement without having client signature. Additionally, most client's procurement / sourcing teams will require an approved SOW &

Purchase Order before you can start the engagement. Furthermore, if your client is audited, the auditors will look for SOWs executed by the signatories authorized to sign the SOW.

Additional tips

External references

The SOW should be a self-contained document. It should not reference any external documents. All materials should be built into the SOW. If you need to include additional information, include them in the appendix.

Review

Make sure that you carefully proofread the SOW, preferably from different perspectives. First, it should tell a compelling story. Second, ensure that your proposal will solve your client's problem. Third, make sure that you are not over-committing to win this engagement. Make sure that you can deliver on the price, scope & timelines. Finally, make sure to cross all the "T"s & dot the "I"s. Run your SOW through the experts & request them to challenge your SOW. Specifically, draw their attention to the assumptions. Have your legal team check the document before signing. You don't want to run into trouble or regret something you signed. Also engage technical & other subject matter experts when creating the SOW to get the technical details & deliverables right.

Level of details

Furthermore, your SOW should contain the right amount of details. Too few details leaves your document open to interpretations. Conversely, too much detail & you eliminate any room for negotiation. In short, you should strive to strike the right balance with details. Be as specific as possible to leave no room for guesswork. Be as precise as you can when describing the engagement's requirements, scope, deliverables, milestones, objectives, etc. Cross check all tables, process diagrams & graphs you include as supplemental information. These elements serve to demonstrate to the client that you've clearly understood their expectations. If you find these elements confusing or misleading, leave them out of your SOW.

Success criteria

You want the SOW approved as soon as possible. Simultaneously, you want to cover all your bases to ensure that no disputes, disagreements or misunderstandings arise once the engagement starts. Hence, your SOW should clarify what success looks like, what constitutes an acceptable deliverable, when the engagement should be considered a failure, etc. Likewise, outline the engagement's success & deliverables' acceptance criteria. For example, a successful software roll out project can be quantified in terms of the number of people adopting the software. Specify who determines success. You don't want just anyone evaluating your work when completed. You want someone with the authority to review your work & sign it off. Hence, your SOW must clearly state who that person should be.

Payment terms

Clearly spell out costs & document the payment terms. Check your pricing for errors. Think about any fees that you may have missed. Re-check your calculations multiple times for errors.

Handling changes

When changes during the engagement, promptly update the SOW to reflect the changes. All agreements, verbal or otherwise, should be formally documented in the SOW. So, there's only one reference point to go back to in case of confusion.

Summary

The SOW is a required engagement planning document &, therefore, must include details such as expected results, work schedules, invoicing schedules, etc. Once approved, the SOW must be communicated to all stakeholders to prevent any disputes or ambiguities in terms of timelines, budgets, success criteria, & deliverable requirements. Perhaps the simplest definition of a statement of work is that it sets, aligns, manages, & documents the engagement's expectations. A well-crafted SOW will save you a lot of headaches down the line.