

Insights for Effective Market Research & Developing a High-Performing Statement of Work

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Agenda

- **Overview**
- **Content of High-Performing SOW**
- **The Importance of Current Conditions**
- **Summary & SOW Assessment Handout**



NOTICE:

**ALL DATA IS AS OF SEPT/OCT 2024
AND THE MARKET IS CHANGING FAST
THE DATA SHOULD BE UPDATED
REGULARLY**

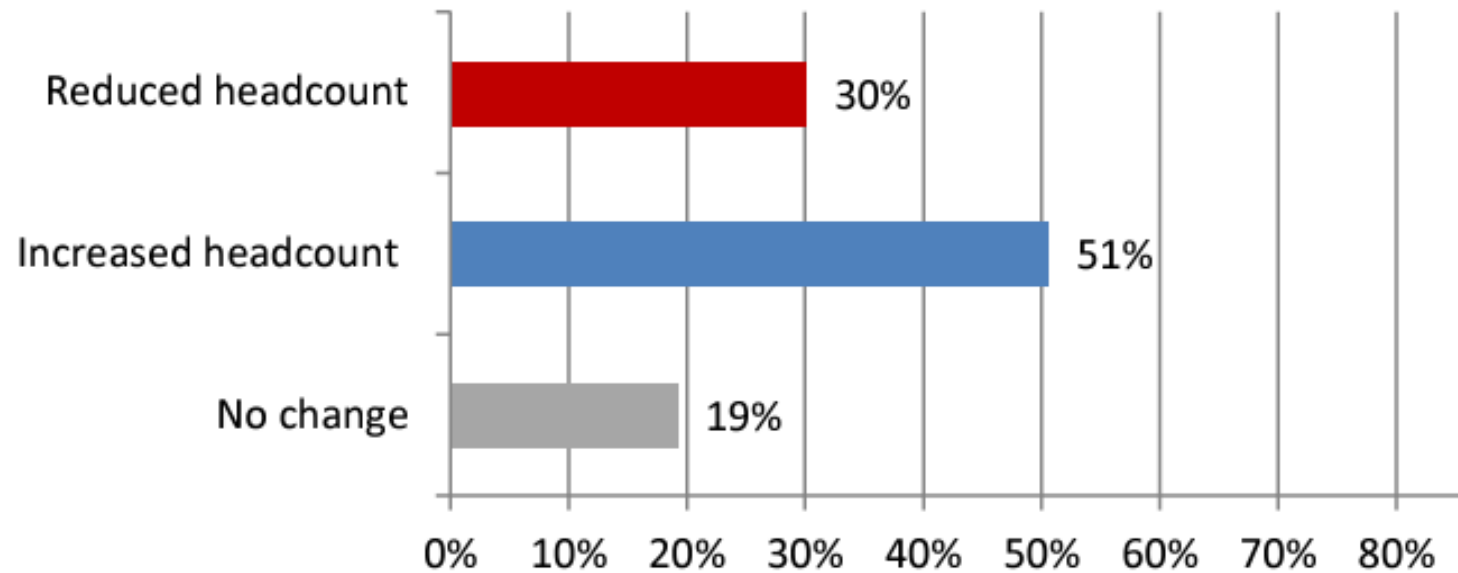
Workforce Shortages

- 60-80% of orgs struggling to fill positions**
- 55% feel will be as hard or harder to find skilled people**
- Mental health and productivity are challenges with high levels of hiring, shortages, and change (retirement, etc.)**

AGC 2024 Workforce Survey

- **National survey conducted in Aug 2024**
- **1,492 Contractors Responded Nationally**

By what percentage has your firm's headcount changed in the past 12 months? Responses: 1,492



Do you currently have an open hourly craft or salaried position? Responses: 2024: 1,185 Salaried, 995 Craft; 2023: 1,149 Salaried, 1,101 Craft

% of firms with openings for hourly craft positions



% of firms with openings for salaried positions



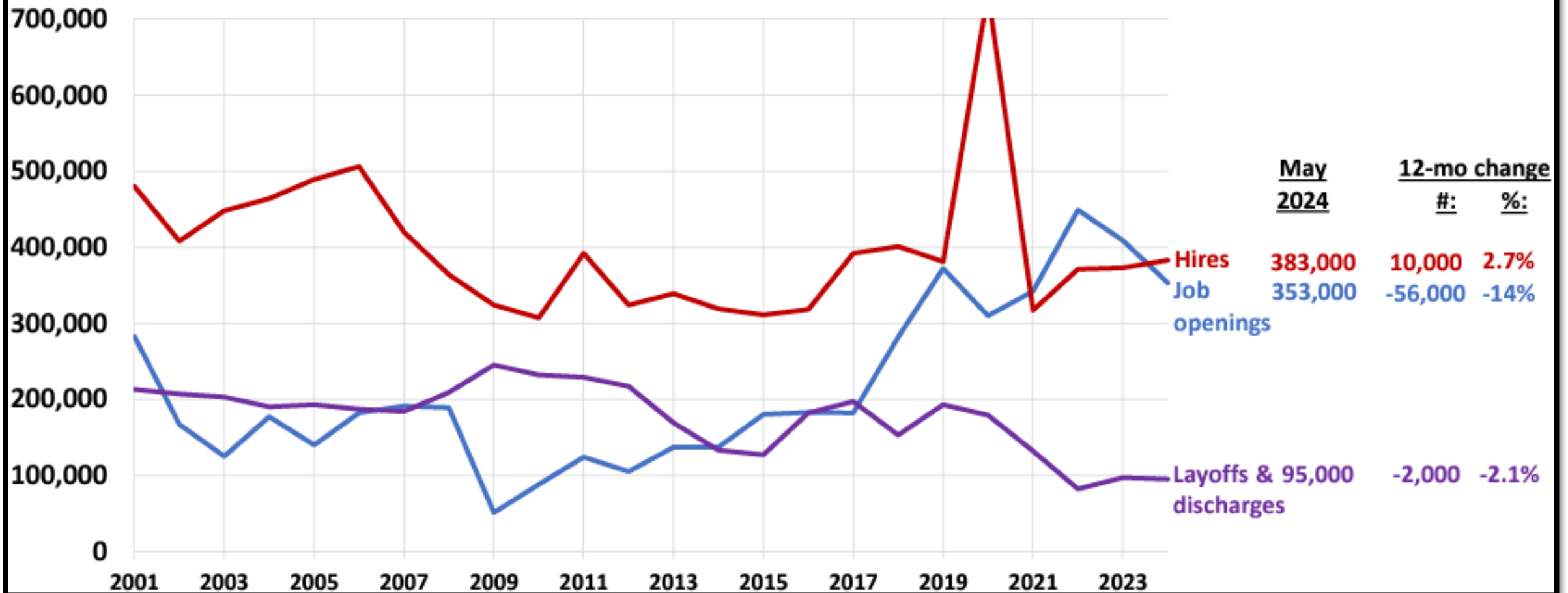
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

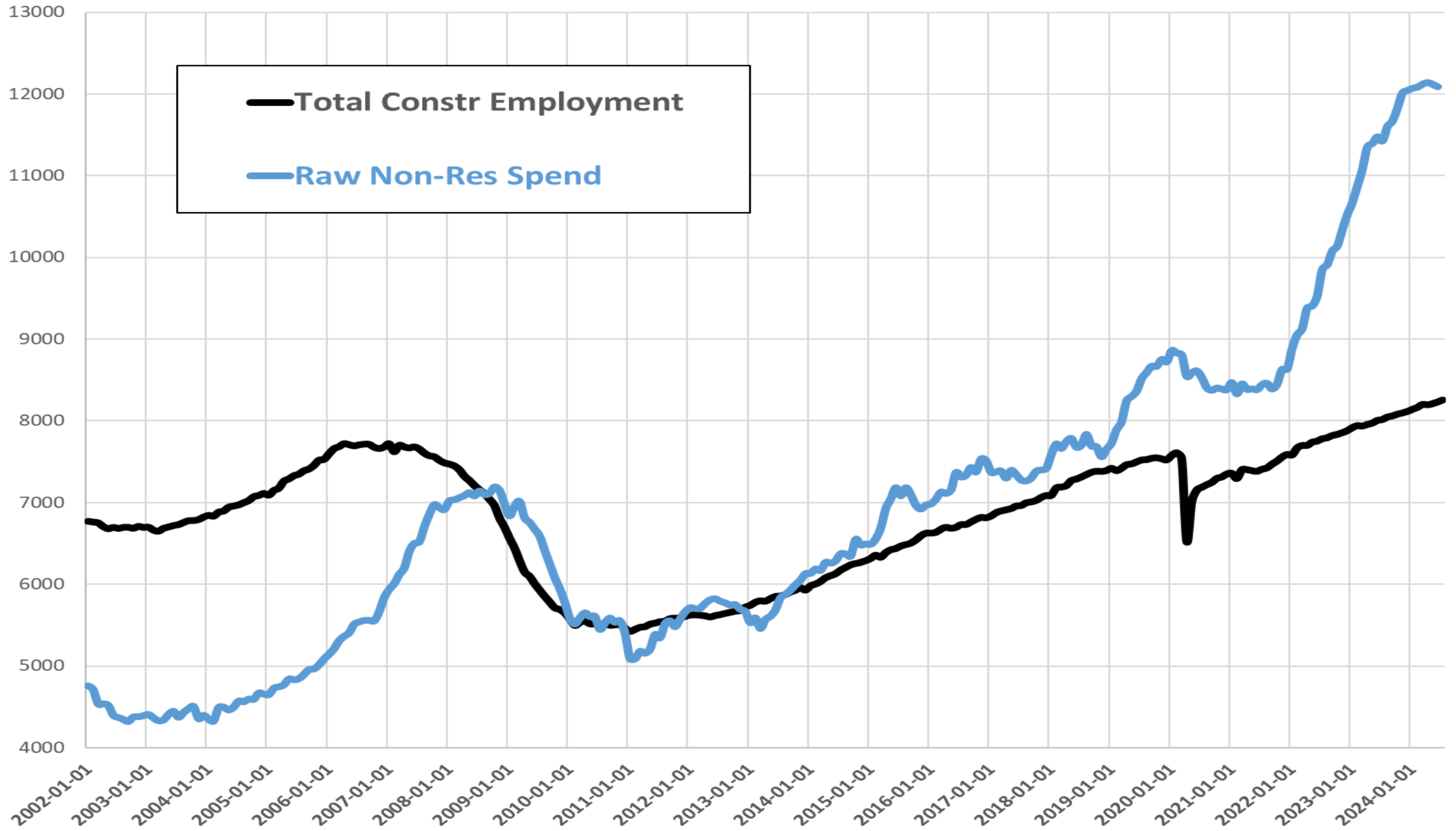
Construction job openings, hires & layoffs

Job openings, hires, and layoffs May 2001-May 2024, seasonally adjusted



AGC
THE CONSTRUCTION
ASSOCIATION





Other Workforce Challenges

- Before pandemic – trades wage rates exceed average total private sector by 20-25% historically
- **Now Trade Wage Rate is 16-18% above national average....**
 - Pay is not keeping up
 - Cannot work from home
 - Benefits not as comprehensive
 - Non-flexible hours
 - Vaccination requirements were an issue
- **Procurement Professionals**
 - 25-45% underpaid
 - Significant resource shortages/understaffed
 - HR struggling to adapt

Workforce

- Since the year 2000, the US Population has gotten:
 - Older or Younger?

Workforce

- Since the year 2000, the US Population has gotten:
 - Older by 3.4 years

Workforce

- Since the year 2000, the US Population has gotten:
 - Older by 3.4 years
- This trend is:
 - Accelerating or Decelerating?

Workforce

- Since the year 2000, the US Population has gotten:
 - Older by 3.4 years
- This trend is:
 - Accelerating (2021 was most rapid increase across the 21yr range)

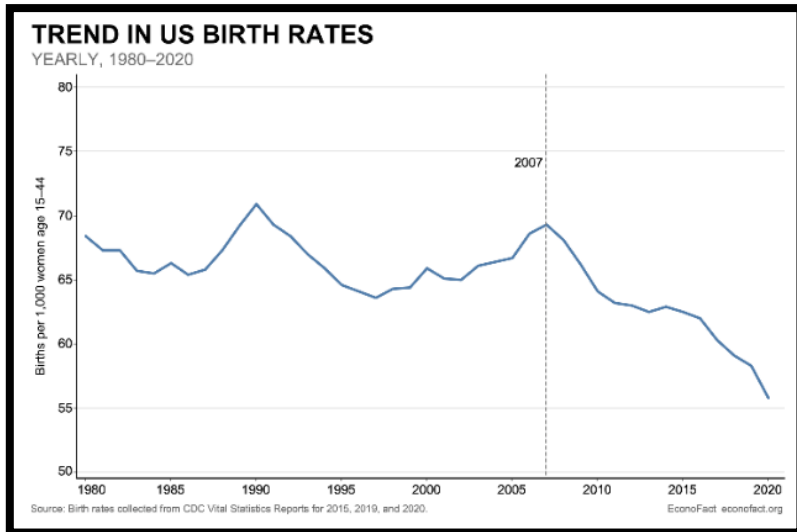
Workforce Challenges

*2020 Birth Rate 4% lower than 2019
Lowest Ever
(11.99 Births per 1000 people)
(up 1% in '21, up 0.09% in '22
11.00 in '23)*

As of '23, 1.62 Births/woman – Lowest Ever Recorded

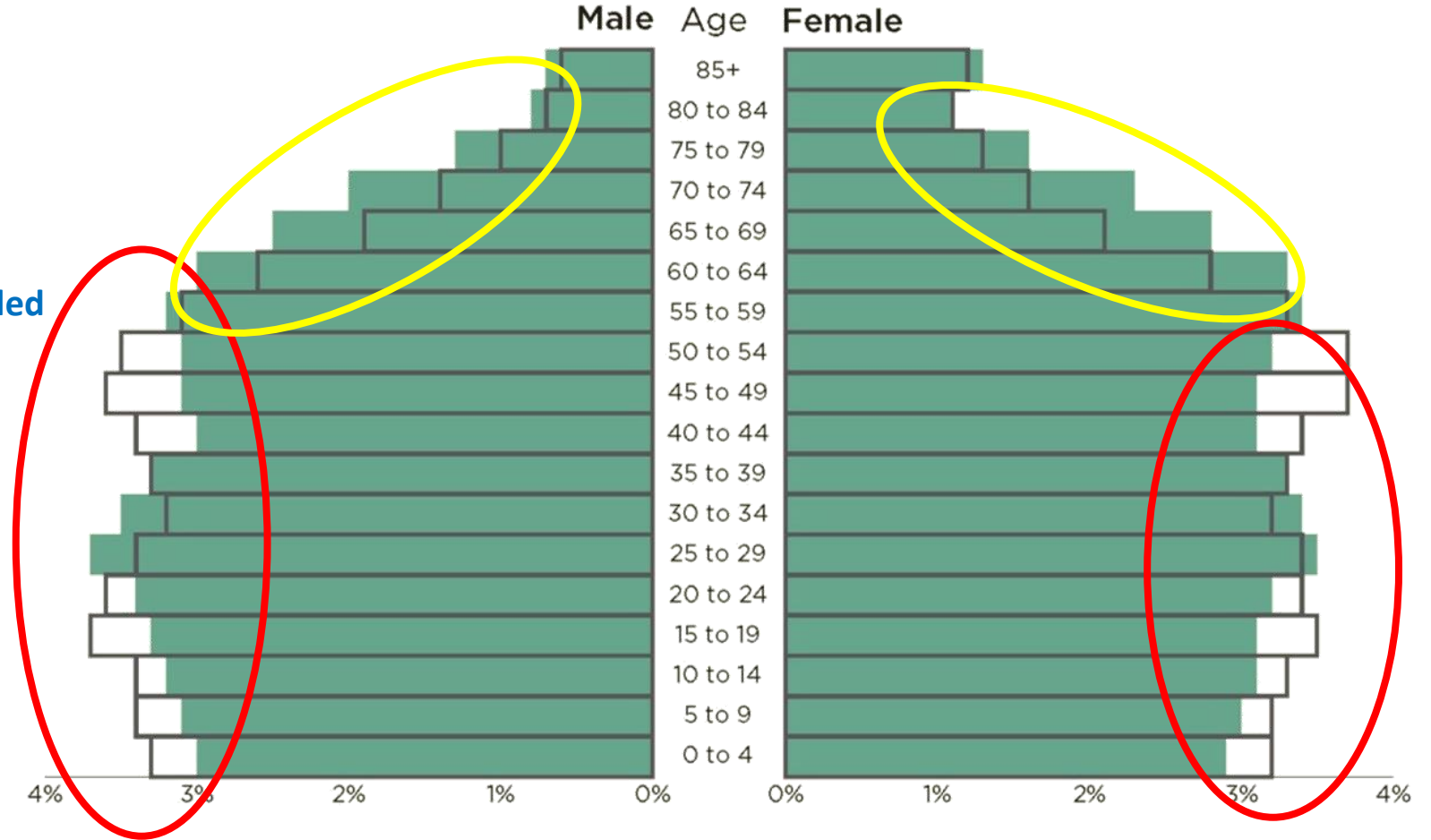
(was 31% higher in 1990)

(was 102% higher in 1950)



Percent of Total Population in 2010 and 2019

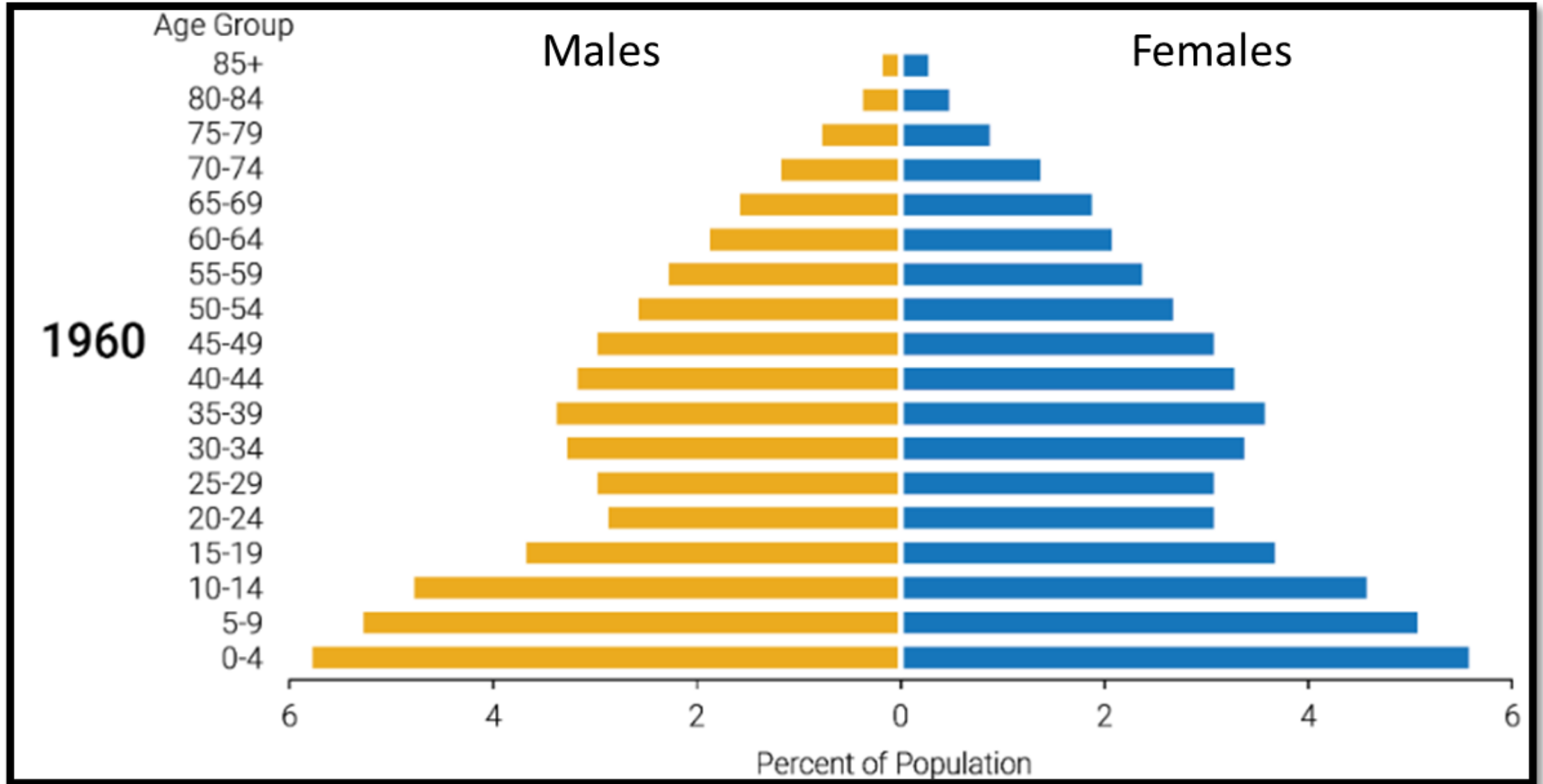
□ 2010 ■ 2019



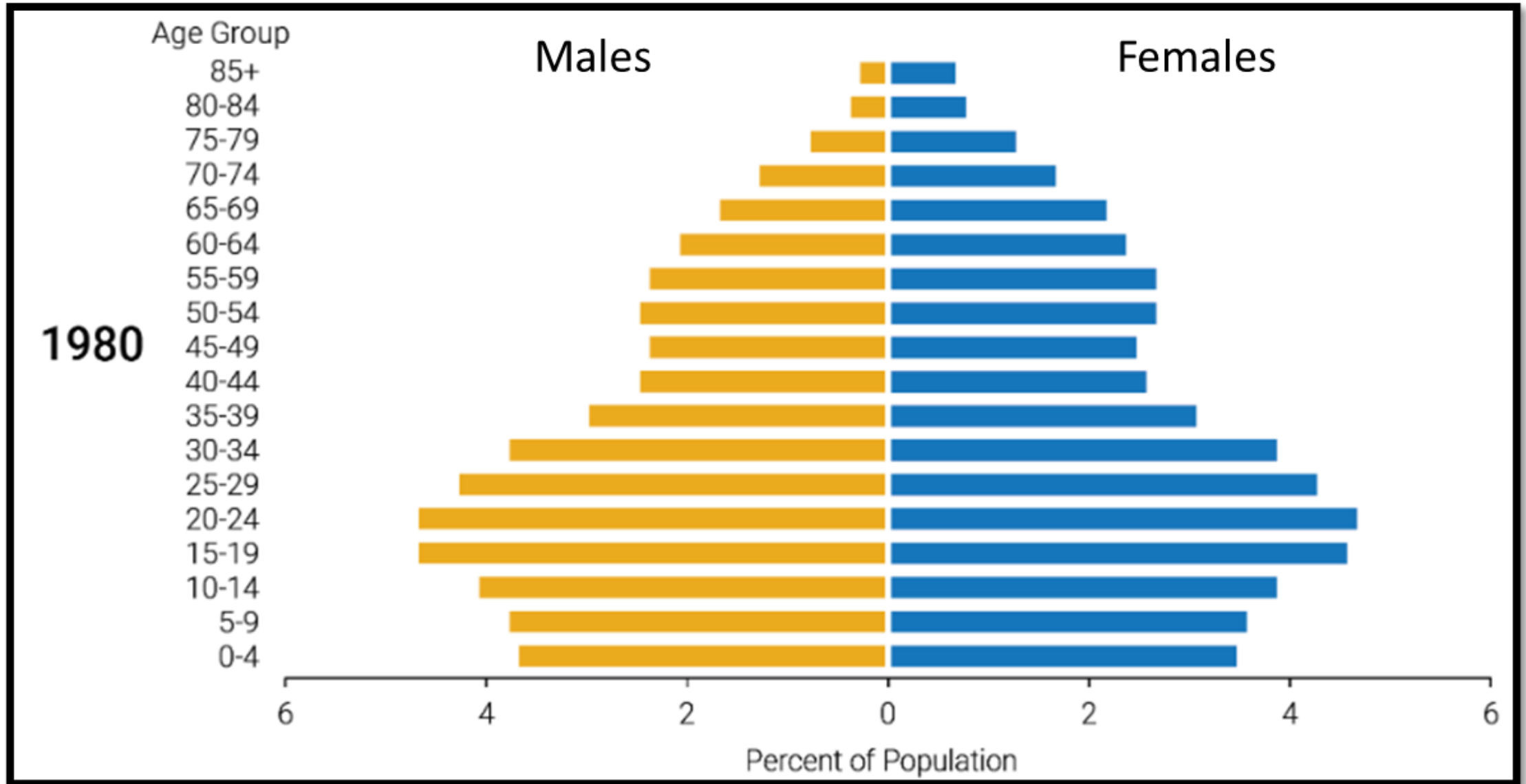
Workforce Challenges

- Baby Boomers created incredible wealth
 - Young X, Old Millennials are expected to inherit ~\$80 Trillion from their parents - begins 2030-2035
- More men 25-34 yo live with parents than with spouse (first time since 1880)
- Drugs are a big problem (robbing nearly a million prime-age men a year from the workforce)
- 2.4M Women left workforce since Feb 2020 – still growing
- Demographics will only be getting worse moving forward

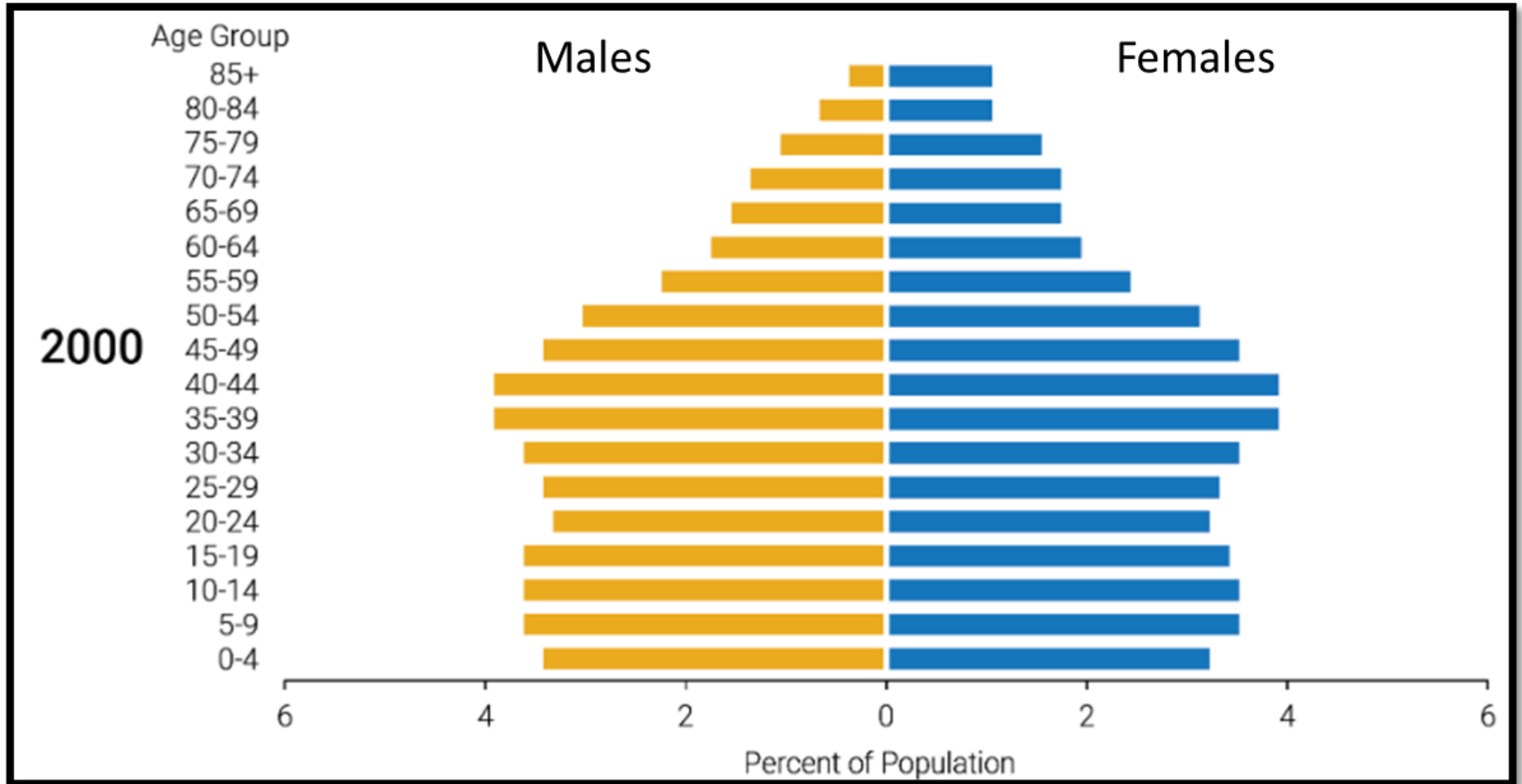
US Population Histogram



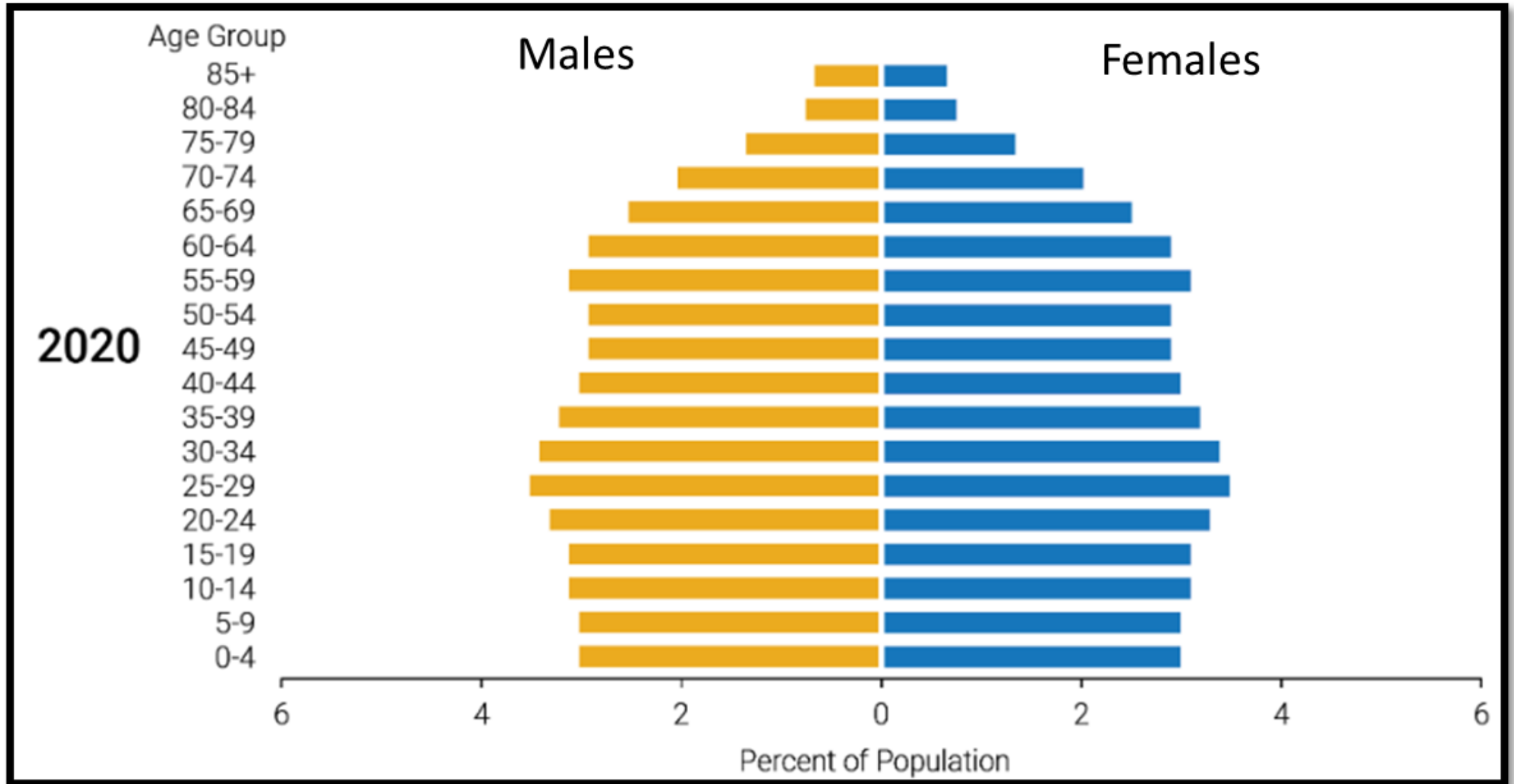
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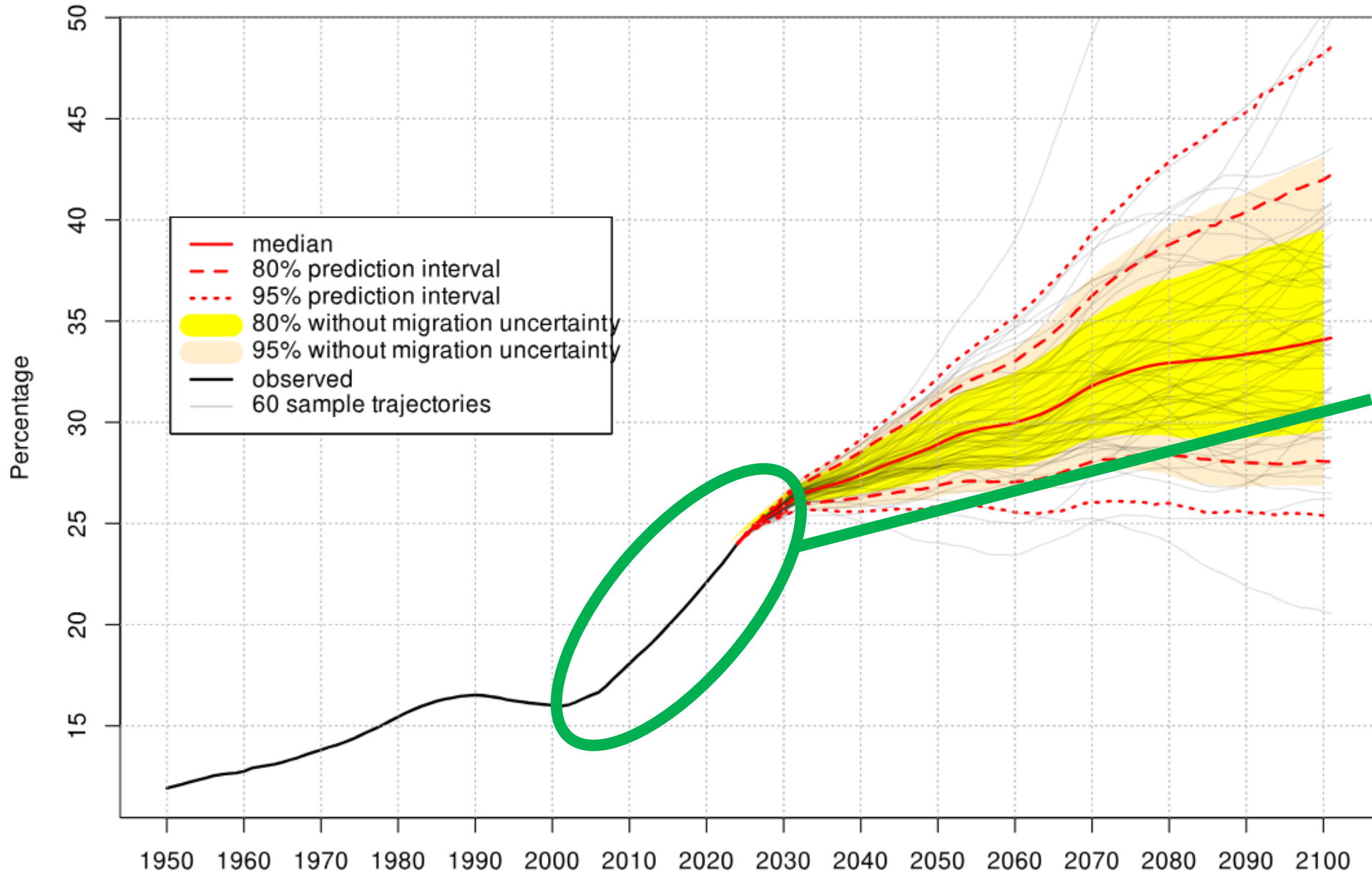
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US Population Histogram



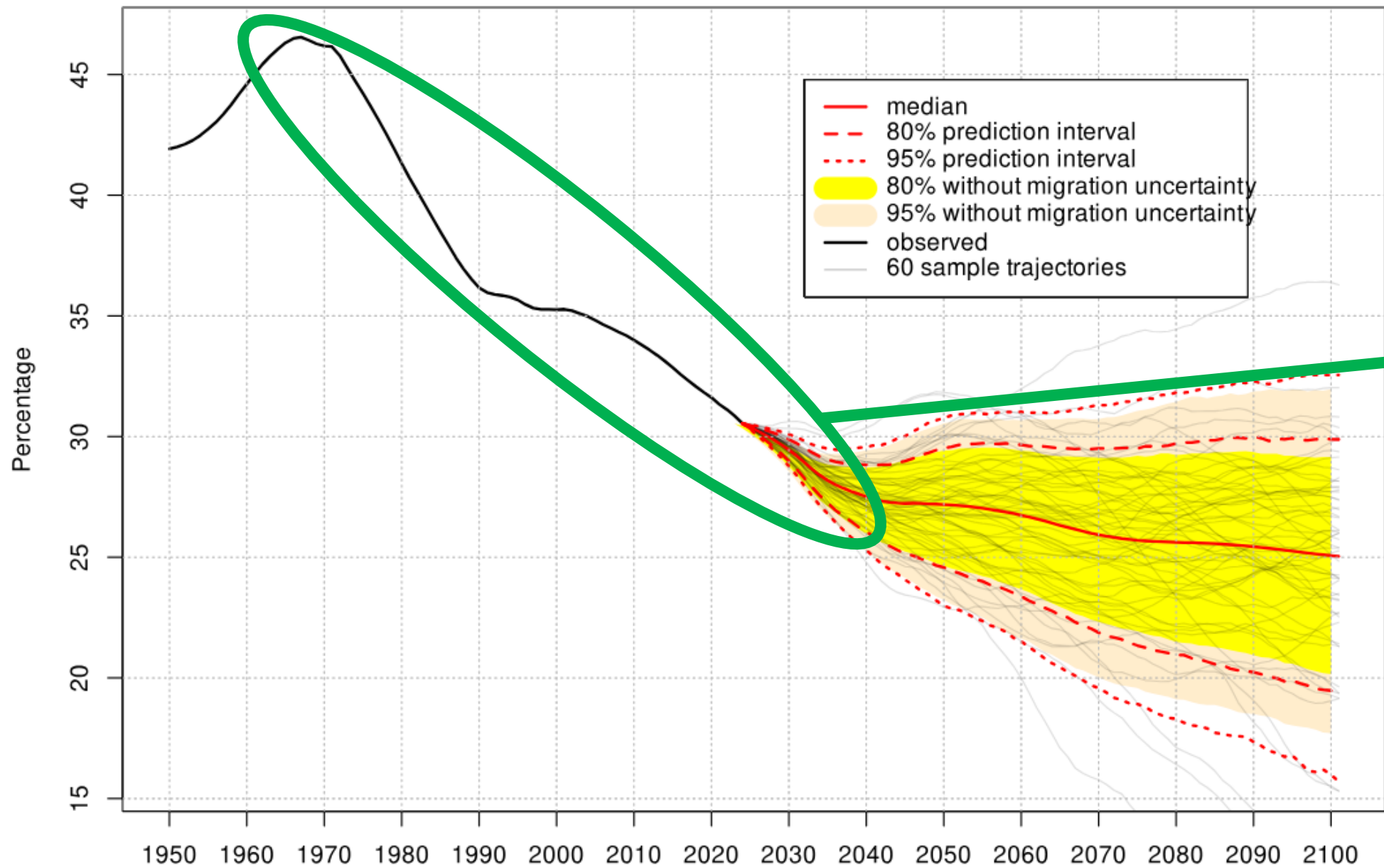
United States of America: Percentage of population aged 60 years or over



Near Exits

*-60+ yr olds as a % of population has grown 50%
-Doesn't level off to mid-2030s*

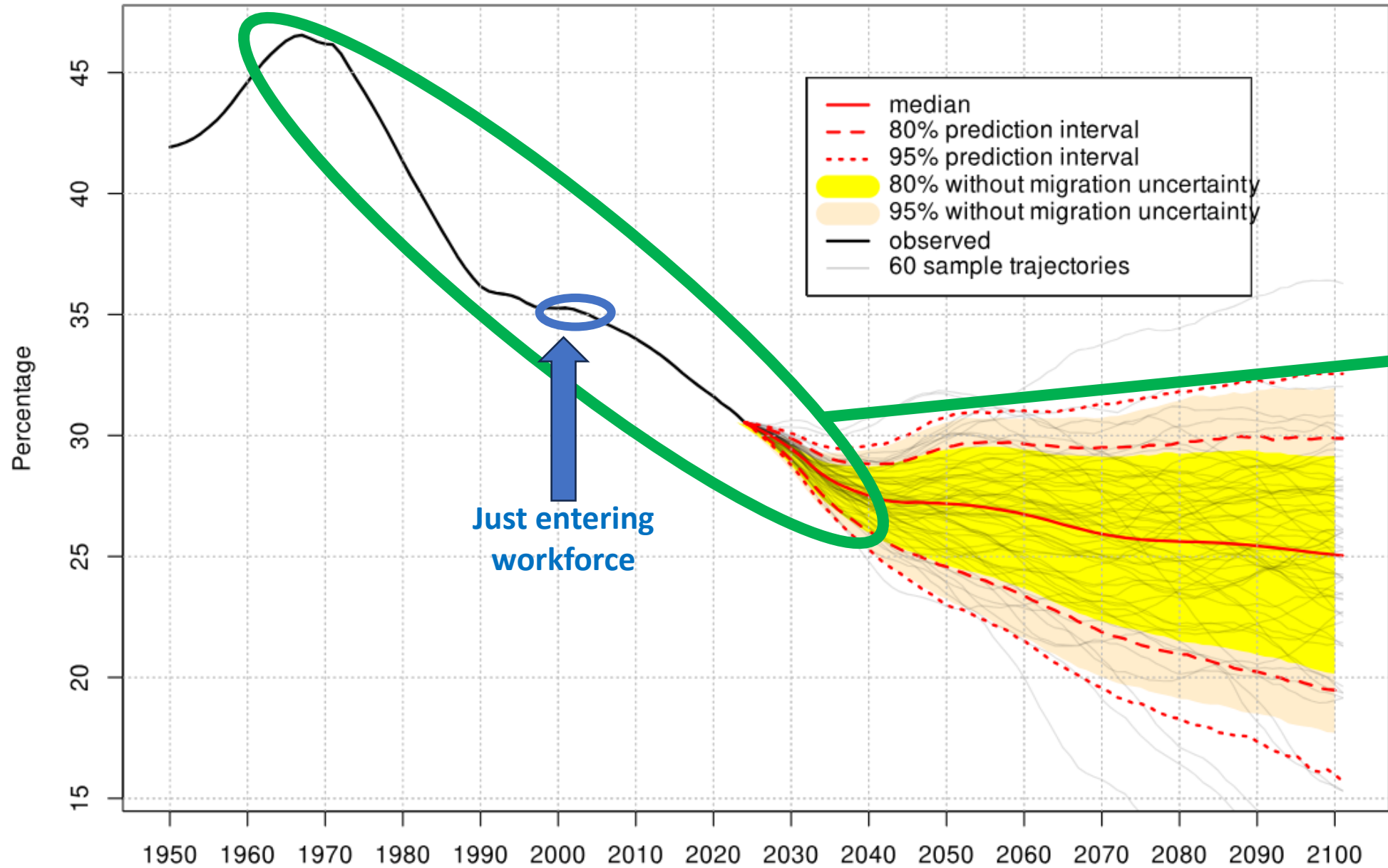
United States of America: Percentage of population under 25 years of age



No More Senior Discounts

Massive decrease in future workforce as a % of population

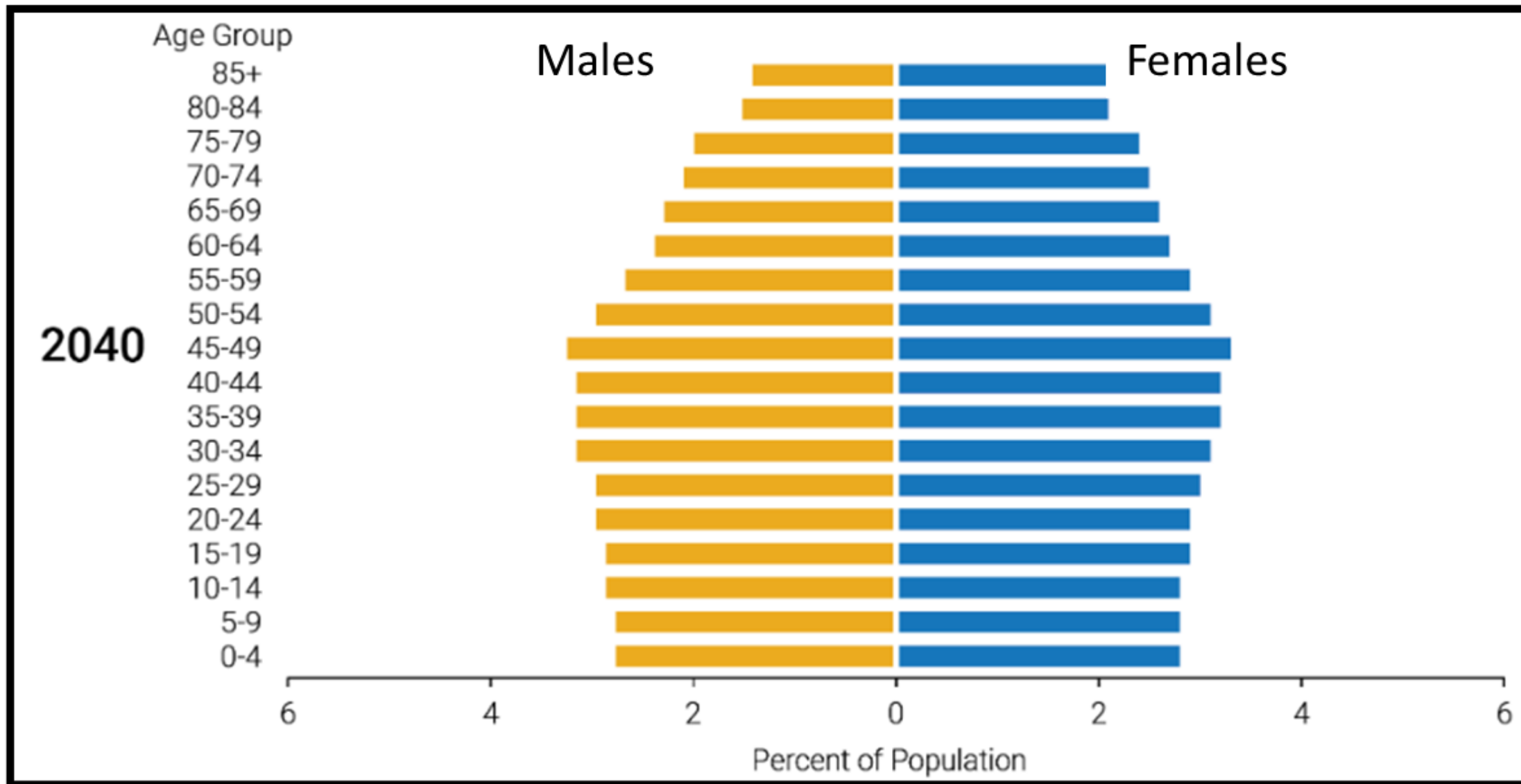
United States of America: Percentage of population under 25 years of age



Just entering
workforce

**No More Senior
Discounts**
*Massive decrease
in future workforce
as a % of
population*

US Population Histogram



*2040 Fertility Rates will be below replacement rate – all growth will be immigration
2024 Growth rate of 65+ Age will outpace growth of younger generations thru 2054*

Mid- and Long-Term Outlook

this is the

BEST

it will be

(for the remainder of our careers
barring a sustained recession/depression)

Client/Buyers Experiences:

These are the current market realities...

- Hot Markets for Vendors
- Workforce will not be improving
- Product/Equipment/Material availability will continue to vary
- Cost escalation/ uncertainty/ “**sticker shock**”
- Quality & Safety worsening
- Productivity worsening
- Margins diminished
- Everyone looking for solutions – trying old ways again....

Reality

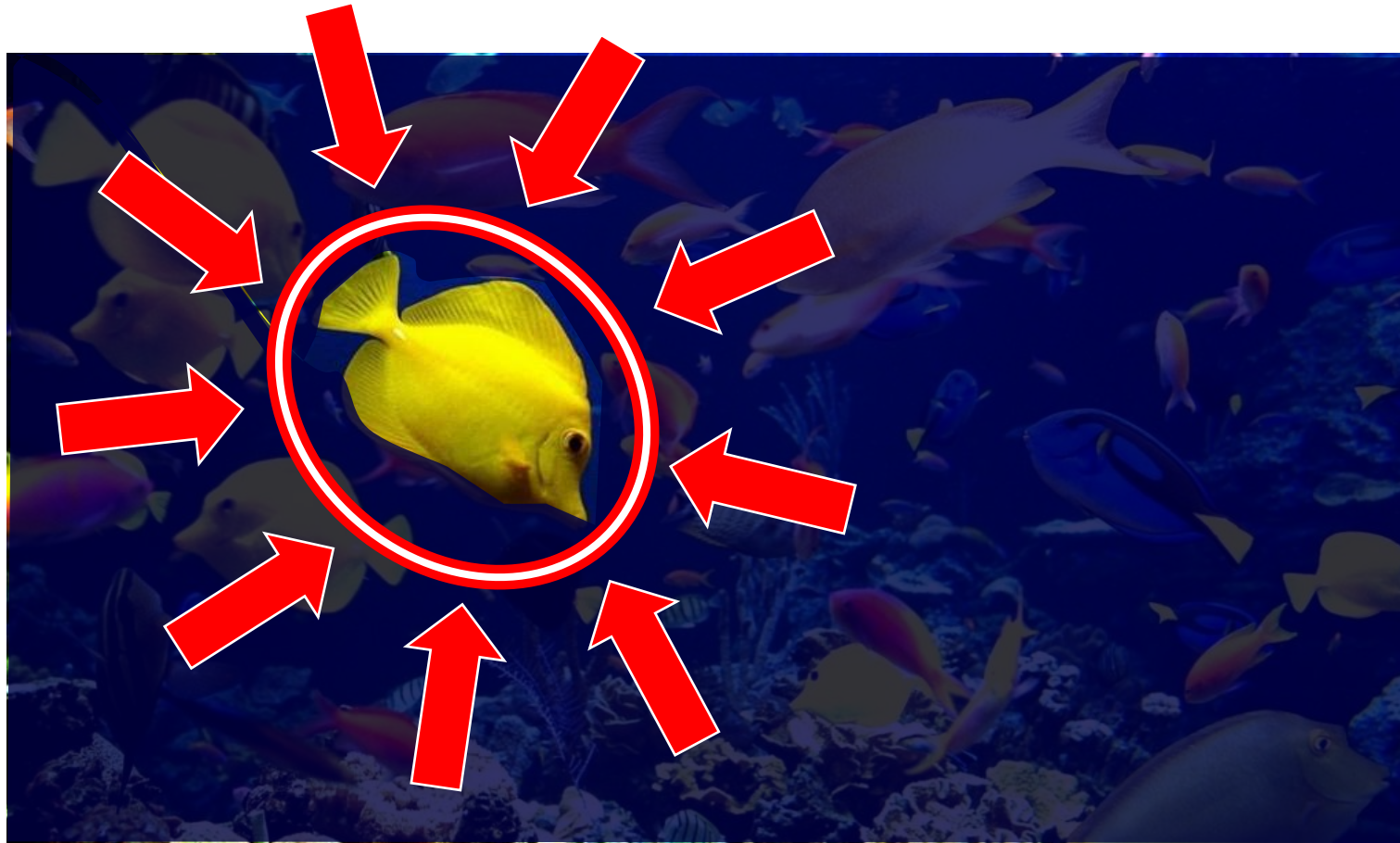
KEY TAKEAWAY

Clients, Buyers, Contractors, Suppliers...
are in competition with each other
for the same
limited pool
of skilled personnel

Always Remember...Vendors Have Options!



You Want To Look More Attractive Than All Other Current Owners!!!



If You Look Dangerous....



So how do we attract more
High-Performing Vendors?

**Starts With
Your
Solicitation!**

RFP

Request for Proposal



**Information Technology (IT)
Software Implementation Template**

RFP Number: #####

RFP Release Date: MM/DD/YYYY

RFP Due Date: MM/DD/YYYY



RFP vs. SOW: How are they Related?

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Request for Proposal



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1 Statement of Work

2 Current Conditions

3 Proposal Requirements

4 Evaluation Procedures

5 Administrative Requirements

6 Proposal Forms

7 Attachments & Exhibits



DEFINITION: Statement of Work (SOW)

- The Statement of Work (SOW) is an essential part of any solicitation.
- Describes what you are looking to purchase, acquire, or achieve.

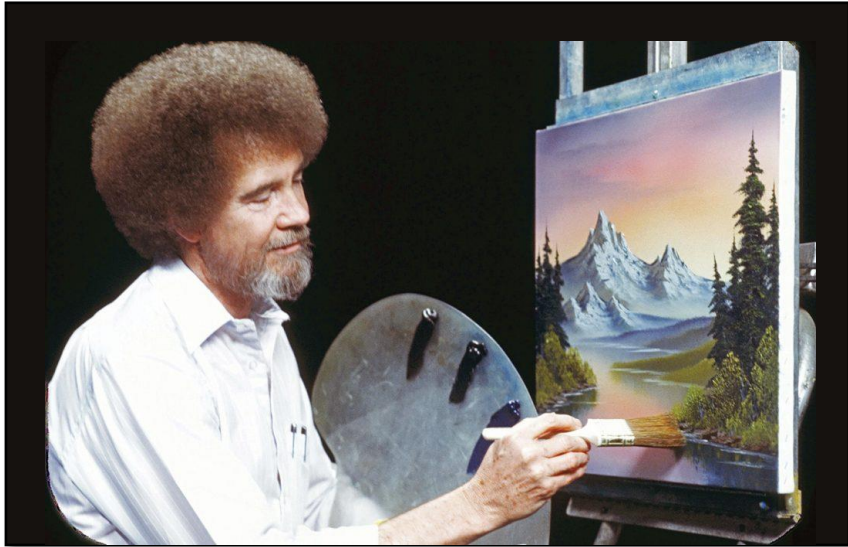
Terminology

All are Included...

- **Statement of Work (SOW)**
- **Scope of Work (SOW)**
- **Specifications or Minimum Specifications**
- **Requirements or Minimum Requirements**
 - Business Requirements
 - Technical Requirements
 - Functional Requirements
- **Minimum Qualifications**

**SOW =
What you are
Hiring the
Vendor to do**

The Goal of the SOW



- **Paint the picture of what success looks like**
- **Describe what it will take to make you 100% satisfied (what are the outcomes & achievements)**
- **A good SOW assures that all of the vendors propose a proper solution (that meets your needs)**

Content & Structure of a High-Performing Statement of Work

Organizing a High-Performing RFP

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What the Client
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What the Client
is Purchasing

How the Client will
Evaluate and Select
the vendor



Content & Structure of a High-Performing SOW

Statement of Work

- 1 Overview & Purpose
- 2 Future State
- 3 Itemized Requirements
- 4 Schedule & Budget
- 5 Unique Considerations

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Concisely Describe
“What” & “Why”

Content & Structure of a High-Performing SOW

Overview & Purpose

- **Project Overview:** high-level summary that is easily understandable (**1-2 sentences up to 1-2 paragraphs max**)

Content & Structure of a High-Performing SOW

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Content & Structure of a High-Performing SOW

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- **Goals, Objectives & Motivation:** primary business drivers and purpose

Content & Structure of a High-Performing SOW

Overview & Purpose

- **Project Overview:** high-level summary that is easily understandable (**1-2 sentences up to 1-2 paragraphs max**)
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- **Key Measures of Success:** top 3-5 quantifiable metrics (cost, time, quality, functionality)

Key Measures of Success

- **Key Measures of Success:** top 3-5 quantifiable metrics (cost, time, quality, functionality)
- **Difficult for Business Units to do!**
 - They often focus on activities rather than outcomes.
 - Takes intense questioning.

Organizing a High-Performing RFP

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What the Client
is Purchasing

Overview &
Purpose are right
up front, so must
be easy to find &
understand!



Content & Structure of a High-Performing SOW

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**Departures from
Current Conditions**

Content & Structure of a High-Performing SOW

Future State

- Describe each of the deliverables/services to be provided by the selected vendor for this Statement of work
- Describe the minimum requirements that must be performed to achieve a 100% satisfaction
- Attach exhibits to make this easier to follow (i.e. drawings, specs, pictures, site plans, etc.)

Content & Structure of a High-Performing SOW

Future State

- **Overview:** clear, concise, & easily understandable description
- **Project Deliverables:** tangible outcomes to be produced by vendor
- **Figures, Diagrams, & References:** supporting explanation
- **Transition/Migration:** efforts to bring legacy data forward

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**Mandatory & Desired
Items**

Content & Structure of a High-Performing SOW

Itemized Requirements

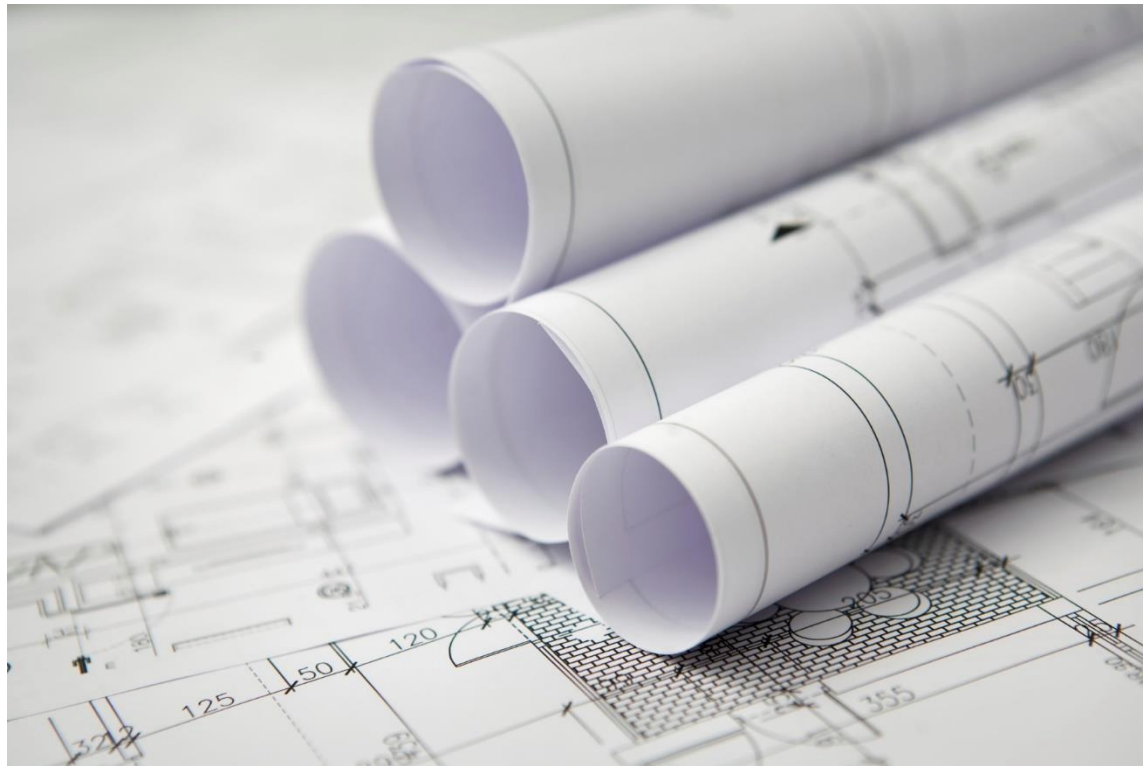
Organization:

- 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 commentary for each requirement

Content & Structure of a High-Performing SOW

Itemized Requirements

- Drawings & Specs (Construction)



- Requirements (IT/Software)

ID Num	Requirement Area	Requirement Subcategory	Requirement Name	Requirement
5402	System and Technical	Workflow	Approval / Denial	System shall provide ability to define multiple approval levels for electronic transactions / documents / business events processing.
5403	System and Technical	Workflow	Approval / Denial	System shall provide ability to restrict processing of electronic transactions / documents / business events until they pass all required approval levels.
5404	System and Technical	Workflow	Approval / Denial	System shall provide ability to set up Approver Groups associated with electronic transaction / document / business event processing.
5405	System and Technical	Workflow	Approval / Denial	System shall provide the ability to define a unique approval process for each user and type of document/business event.
5406	System and Technical	Workflow	Approval / Denial	System shall provide the ability to specify multiple approvers for a document/business event where only one of the approvers listed must approve the document in order to consider the document approved.
5407	System and Technical	Workflow	Audit Trail	System shall provide an audit trail of all adds, changes, and deletes to workflow rules.
5408	System and Technical	Workflow	General	System shall ensure that any transaction, document or business event entered into the on-line system is reviewable prior to its saving / processing / commitment.
5409	System and Technical	Workflow	General	System shall provide the ability to reverse / unwind processed transactions, documents and business events.
5410	System and Technical	Workflow	General	System shall permit a minimum of 10 levels of approval that may be established for each type of electronic document/business event.
5411	System and Technical	Workflow	General	System shall allow all authorized users to see the approval status of a document/business event.
5412	System and Technical	Workflow	General	System shall assure that an employee is removed from and added to the workflow process based on qualifying events (e.g., termination from or appointment to agency, or transfer to another organization entity within the agency).
5413	System and Technical	Workflow	General	If a user modifies an electronic document/business event, the system shall allow approvals to be reprocessed in accordance with business rules.
5414	System and Technical	Workflow	General	System shall provide the ability to search/retrieve documents/records based upon user defined criteria.
5415	System and Technical	Workflow	Notification	System shall include a workflow process, with notification options, for business events and documents.
5416	System and Technical	Workflow	Notification	System shall provide the ability to re-route transaction/document/business event for approval based upon user defined criteria such as dollar thresholds or random selection for statistical sampling purposes.
5417	System and Technical	Workflow	Notification	System electronic document management function shall be integrated with the State's electronic mail system or provide other means to alert "reviewer" of documents awaiting approval.
5418	System and Technical	Workflow	Tracking Document(s)	System shall provide ability to track (e.g., identify, record, inquire, report) the progress of electronic transactions / documents / business events.

Content & Structure of a High-Performing SOW

Itemized Requirements

- **Mandatory Requirements (minimum, pass/fail):**
 - vendors **MUST** meet these or be disqualified.
itemized, organized, and categorized
- **Desired Requirements (value proposition):**
 - vendors **NOT disqualified** for missing any individual item.
 - But the Client's goal is to achieve as many as possible.
itemized, organized, and categorized

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**Time & Financial
Constraints**

Should we share the budget?

YES

Content & Structure of a High-Performing SOW

Schedule & Budget

- **Schedule:** clear & transparent identification of timing needs and constraints
- **Budget:** clear & transparent identification of financial needs and constraints

Content & Structure of a High-Performing SOW

Schedule & Budget

- The Budget is crucial (one of the most important SOW elements)
- Clarifies your technical Statement (what you can afford)
- Clearly define any financial constraints or expectations that you have (**not ranges or “fuzzy” information → don’t cause confusion!**)
- Be direct, such as:
 - The construction budget for this Project is \$150,000
 - The estimated spend for this Project is \$2 Million
 - The project budget is \$3,000,000 over 5 years, of which \$500,000 is allocated for implementation and \$500,000 for annual subscription/support.
- (same for Schedule expectations, constraints, critical dates, phasing, etc.)

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**Supplemental
Information**

Content & Structure of a High-Performing SOW

Unique Considerations

- **Unique:** what may be unusual in your environment?
(vs. the vendor's other clients)
- **Unknowns & Assumptions:** list any conditions that are unknown or assumed
- **Attachments & Exhibits:** pertinent supplemental information

Balancing Act:

Too Open-Ended

vs.

Overly Prescriptive

Set a Benchmark to Propose to!!!!

- Ensure proposals are apples-to-apples (**as much as possible**)

Set a Benchmark to Propose to!!!!

- **Client's SOW must:**

- Make it easy for Vendors to find & understand the benchmark.

Example: Reviewing 4 Cost Proposals for an ERP System

- Quoted licenses ranged from **0 – 2,200**.
 - 0 (TBD later **after they are awarded** the contract)
 - 1,260 to 1,450
 - 1,300
 - 2,200

How can you compare the Cost Proposals?

Waste Hauling SOW



5,000+ tons of waste collection across urban area

Waste Hauling SOW



5,000+ tons of waste collection across urban area

- “An adequate fleet of collection vehicles should be used and maintained by the Vendor...”
- “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”

Waste Hauling SOW



5,000+ tons of waste collection across urban area

- “In order to support accurate measurements towards the [Client’s] sustainability goals, all vehicles must be **solely dedicated** to [the Client] and **cannot be used for other sites.**”

Waste Hauling SOW



5,000+ tons of waste collection across urban area

- Average Proposal Price: +46% over the Budget
- Maximum Proposal Price: +106% Over the Budget
- SOW was put together with great intentions
 - Seeking high quality services & impressive sustainability goals.

➤ Over-emphasis on the inputs
(restricting vendor means & methods)
can detract from the outcomes (results)!

Impact of Overly Prescriptive SOW

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

Goal:
Become a
“Client of Choice”

Using Expertise

- Is there anything you'd do differently?



Innovative Ideas

“Mishap”





Asking the Right Questions

- **Supplier proposed an alternative procedure** (different from specified process) **for removing damaged steel panels that was:**
 - *Cheaper*
 - *Faster*
 - *Safer*



Final Outcomes

- Finished **ahead of schedule**
- **0 change orders** or cost increases
- Client saved **60% in cost**



Take-Aways

Other Courses by CPE + NASPO

- **The 1, 2, 3's of a Great Scoring Matrix**
- **Deep Dive on Effective Evaluations**
- **Leadership Skills for Procurement Professionals**

Look for
these courses on...



***FREE* Online Course! 10 PDH**

**2025 x 3 times
(Jan, May, Aug)**

Better RFPs = Better Projects

- **Session #1 = Organizing a High-Performing RFP**
- **Session #2 = Effective Statements of Work (SOWs)**
- **Session #3 = Evaluation Best Practices & Vendor Debriefings**
- **Session #4 = RFP Administration**

NASPO's Procurement U

- **Log on to the Procurement U Learning Management System (LMS) to register, access the course and materials.**
www.naspo.org/procurement-u/
– or Email Amy: amy@center4procurement.org
- **Open to all (even non-members of NASPO)**





Look for
these courses on...



NEWer Courses by CPE + NASPO

- **The 1, 2, 3's of a Great Scoring Matrix (2025x2 = Feb, Oct)**
 - Session #1: Creating an Evaluation Matrix [90min]
 - Session #2: Complexities of Real-World Scenarios [90min]
- **Deep Dive on Effective Evaluations (2025 x2 = Mar, Oct)**
 - Session #1: Planning Your Evaluation Strategy [90min]
 - Session #2: Training Your Evaluators [90min]
 - Session #3: Strategies for the Negotiation Phase [90min]

Free Webinar Series

3rd Thursdays every month

@ 12pm Central

15-min Teaching Moment

(learn a new tip, trick, or tool)

30-min Virtual Peer Group

(network with professionals)

Office Hours

(open Q&A until the questions run out!)



Previous Recordings Available Online!

How Do You Ask For
(& Evaluate) Cost Proposals
In Software RFPs?

April 15, 2021



Simpliar's Evaluation
Criteria to Minimize
Budget Risk

May 20, 2021



Current State of Practice
In Software RFPs

June 17, 2021



How to do Market
Research More
Effectively

July 15, 2021



“Don’t Worry, the
Contract Will
Save Us”

August 19, 2021



The Value of
Debriefings

September 16, 2021



Handling Large IT
Hardware Buys
With Different Scope Packages

October 21, 2021



Vendor of
Record Programs

November 18, 2021



7 Most Deadly
Marketing Phrases

December 16, 2021



It's a New Year -
Ready for the
Next Level?

January 20, 2022



Best Practices for
Evaluator Training

February 17, 2022



Got RFP Soft Skills?

March 17, 2022



center4procurement.org

17

Oct



Add to Calendar



21

Nov



Add to Calendar



19

December



Add to Calendar



Last Month →

AI Will Change RFPs

Come learn why CPE predicts Artificial Intelligence will fundamentally change the

Re-Thinking Contract Negotiations

After you pick a new supplier in your RFP, what's next? This session will cover the important

The Secret of How High-Qualified Suppliers can offer Lower Costs

How can highly qualified suppliers



Upcoming Topics!

Register at: center4procurement.org/rfp-doctor



NEW RESOURCE – CEU Hours!!!

CPE is pleased to announce that all attendees @ **live** “Ask the RFP Doctor” events will receive 1 hr Continuing Education Unit (CEU)!



Key Learning Points



1. A quality scope of work helps the industry put together a better proposal
2. It doesn't need to be perfect... but can't be terrible!
3. Long-term payoffs are significant!

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