

WHITE PAPER

The Definitive SOW Template and Writing Guide

FOR PROFESSIONAL SERVICES





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Author's Foreword

A well thought-out Statement of Work (SOW) is the first step in setting a positive client relationship. It is the contractual version of **trust** between services providers and their clients.

And today, trust is paramount.

Services providers have entered into a dynamic business environment. Today, 30 percent of business is done by outside providers and contractors. In the next five years, this percentage is expected to grow to 40 percent. That means services providers have countless opportunities to grow their business, scale their productivity, and thrive in this exciting time.

Yet this is also a challenging time.

Global trends are forcing rapid business model changes. At Mavenlink, we call this changing economy the **Service Level Economy** (SLE) — a global ecosystem in which service providers (i.e., you) and their clients exchange services for revenue, with the aid of contractual agreements. Within this ecosystem, services providers conduct business across geographies and boundaries, amongst multiple stakeholders, in a fashion requiring a strong, digital infrastructure to govern these relationships.

Success in this ecosystem requires your top performance, transparent work, and ability to quickly tap hyperspecialized talent. Above all else, it requires trust in every relationship.

Welcome to your guide to writing great SOWs.

RAY GRAINGER

CO-FOUNDER AND CEO
MAVENLINK



Introduction:

So Your Work Requires SOWs

Congratulations! You just won new business. Now what?

The first and most critical step in your new client relationship is the process by which you and your client set expectations on project outcomes and the work to be completed to get there.

Your statement of work (SOW) sets the tone for the formal work agreement between you and your clients. The SOW differs from, and is more detailed than, a sales proposal. It contains details about responsibilities, objectives, assumptions, cost estimates, deliverables, dates, and more. These inclusions clearly define the obligations and expectations of both parties, to avoid discrepancies later on.

Why a SOW? Your SOW establishes the clear methodology by which your organization delivers work. Your methodology is high level, while your SOW is the specific application to this client's work. Your SOW captures the dynamic discussions you and your client have had about their needs and your services. It defines the intended outcome.

And what happens with a poorly scoped project?

While a good SOW creates confidence and sets expectations that are the foundation for positive results, a bad SOW is the number one reason for project failure. Consequences from oversight when creating a SOW include budget overruns, delays, and inadequate resource scheduling.

You can avoid that with a great SOW.



How to Use this Guide

Use this guide to learn how to write your first SOW, or use it to ensure your current SOW processes are best practice. You may also wish to share with new team members who will begin assisting your SOW process.

This guide draws on decades of experience from former employees of some of the most renowned consulting companies, including Accenture.

Nine Things Well-Drafted SOWs Do

1. Align both parties' expectations
2. Mitigate disputes
3. Include appropriate legal protections
4. Reduce fee write-offs
5. Result in a happier client
6. Create a great working relationship
7. Foster a better likelihood for repeat business
8. Result in the right to reuse the work/product
9. Increase success for both parties



Chapter One:

Your SOW Should Be Specific

Your organization has a standard methodology for delivering work. This high-level methodology influences a very specific SOW. Beware of copy-pasted SOWs. You can use a SOW template, based on your work-delivery methodology, but we advise that your SOW be specific to your client needs. Broadly defined SOWs put you at risk for three situations:

1. You may be expected to provide additional services at no additional cost.
2. You and the Client may have to meet halfway to fix a discrepancy.
(Do what you need to keep a client relation in good standing.)
3. You may need to draft a second, more detailed SOW that sits atop the first.

There are nine sections we recommend for your SOW:

1. Introduction
2. Objectives
3. Scope and Responsibilities
4. Deliverables
5. Approach, Organization, and Staffing
6. Assumptions
7. Fees and Expenses
8. Standard Business Practices
9. Conclusion

In the chapter three, we'll go over the components of each SOW section.



Chapter Two:

What Each SOW Part Includes

In this section, you'll uncover what belongs in each section of your SOW. Each section comes with a short example text demonstrating what a successful SOW looks like. Please note the example text is taken from a professional-services delivery organization.

1. INTRODUCTION

Who is involved and what is your project all about?

Describe your project background, the client's current state of business and specific objectives for this project in moving the client forward, as well as any relevant project history.

PRO TIP: Avoid pronouns such as "they," "we," "you," "us," and "it" in favor of legal names (e.g., "Client")

EXAMPLE INTRODUCTION

Acme Agency, LLP, is pleased to provide this Statement of Work ("SOW") confirming that it will continue to assist Solutions Oriented Systems, Inc., ("Client") with its Transformation Project ("Project"). Having worked with you on the first two phases of this project from business case development through implementation planning, we now look forward to assisting you with Phase III - Implementation.

As you know, Acme has been working with Client since Month, Year, on Project. Acme has supported Client on multiple activities related to the Project, including technical planning. In addition to supporting the technical planning, Acme has directly supported areas of the Project high-level financial management design. Based on our participation to date, Acme believes it is uniquely qualified to support the implementation program going forward. Acme personnel have become intimately familiar with Project activities, goals, benefits, processes, and have developed good working relationships with Client team.



2. OBJECTIVES

What does this project achieve?

Your objectives should focus on the intended results of this project.

Do not include objectives that the project isn't able to impact.

Aiming for three objectives is common, when possible.

PRO TIP: *Avoid describing "goals." Goals are intangible and subject to change. Objectives are clearly defined and measurable.*

EXAMPLE OBJECTIVES

Acme understands that Client has two primary business objectives directly supported by this project. The first is consolidation of data center servers used by all sectors of Client. Cost savings due to improved operations for Client are estimated to be in the tens of millions of dollars. In addition, as hardware is refreshed over the next several years, capital savings in the tens of millions of dollars are estimated. The second objective is to make a major improvement in the business platform for "going to market" for new Client business.



3. SCOPE AND RESPONSIBILITIES

What are vendor/client roles?

Your scope defines all activities expected from the vendor and client.

Specify whose responsibility each activity is, as well as if the vendor or client is primarily or jointly responsible. Be clear on approval processes. Define all acronyms in this section and use them consistently throughout.

PRO TIP: *Refer to this section if your client wishes to change something during the project.*

EXAMPLE SCOPE AND RESPONSIBILITIES

Client and Acme have agreed, in principle, to work together through the pilot of Project, which Client's schedule indicates will be in Month, Year. This SOW confirms that Acme will provide Services to assist Client in launching the implementation in order to initiate the process of realizing the benefits outlined above. During this launch SOW, each company will contribute personnel to an overall blended project team (the "Project Team"). The Project Team plans to begin the Project by executing a number of work streams. Acme will not participate in all work streams under this SOW. For those work streams in which Acme is not participating, Acme will have no responsibility for deliverables associated with that work stream.

Acme will work directly with Firstname Lastname of Client, on this project, and receive direction from Firstname.

OVERALL PROGRAM/MANAGEMENT WORK STREAMS:

1. Program Management Office

- Organize and establish an operational program office which will be used for Project execution. The design and execution of the PMO will be capable of being leveraged for use across business with third parties.
- Customize, as appropriate, Client's existing PMO tools/ templates for Project
- Begin structured and standardized PMO tracking and reporting (e.g., financials, program status and risks)

2. Governance

- Facilitate implementation of new governance mechanisms to support new IT shared services model



4. DELIVERABLES AND TIMELINE

What deliverables does this project create and what is the process and timeline for approvals?

Define all deliverables that result from this project and their delivery timelines. Specify who (e.g., Vendor, Client) contributes to each deliverable and to what extent (e.g., primarily, jointly). Outline approval processes on both sides. Detail what the completion of the project entails for clarity on project closure. Specify project completion dates.

PRO TIP: *Specify both the procedure for accepting the deliverables and the criteria by which they will be accepted.*

EXAMPLE DELIVERABLES & TIMELINE

Acme understands that Client wants to make rapid and meaningful progress toward achieving the benefits of the Project initiatives. To that end, Client agrees to engage Acme, working closely with Client personnel, to assist in developing the detailed designs, workplans, and other documents and procedures necessary for implementation. Beyond the scope of this SOW, Client and Acme intend for Acme to support and work with Client to execute the plans through the planned pilot. The scope and participation of Acme Services for each work stream is detailed below.

OVERALL PROGRAM/MANAGEMENT WORK STREAMS FOR PROJECT

Program Management Office – Client will define the PMO’s charter, rules of engagement, roles and responsibilities, interfaces with other programs, governance, and staffing model. Client will staff the PMO, ramp up the PMO’s operations, including customization of Client’s PMO methodology (Enterprise Solutions Management) for this program. This will include adapting tools, templates, processes and reporting mechanisms for the specifics of this program.

PROGRAM/MANAGEMENT DELIVERABLES – Client agrees to produce the following deliverables:

- Established and operational PMO
- Appropriate PMO tools, templates and processes for managing and reporting on this program
- Documented program communications plan identifying key stakeholders and messaging venue
- Issuance of initial program status and tracking reports (e.g., tasks/ activities status, financial performance, risk identification and mitigation)

GOVERNANCE DELIVERABLES – Client agrees to produce the following deliverables:

- Support defining and implement new governance mechanisms
- Facilitation of working session to define and institute new governance mechanisms
- Support and facilitation for governance body sessions including agenda and material formulation



5. APPROACH, ORGANIZATION, AND STAFFING

Who will perform what (both vendor and client sides) during this project?

Describe the roles, quantity, and time commitments of both vendor and client personnel. Identify the client project manager (point of contact) who has ultimate responsibility, and who's required to obtain approvals.

PRO TIP: *Always use the full legal names on first reference.*

EXAMPLE APPROACH, ORGANIZATION, AND STAFFING

Acme will staff Firstname Lastname, a senior manager in our High-Tech Strategy practice to provide assistance for these projects. Firstname's roles will include project leadership, content expertise and deliverable creation as well as facilitation. Firstname will be staffed at Client 5 days per week. We will invoice for 3 days/week of Firstname's time related to the project objectives and scope previously outlined. We anticipate 2 days per week being spent developing joint Client/Acme market-facing strategies and market assessments. These 2 days/week time will be non-billable to Acme. We will not invoice for any of Firstname's overtime hours.

The professional fees for this project will be \$11,000 (eleven thousand dollars) per week. The project will start on Month, Date, Year, and end on Month, Date, Year. We estimate the total professional fees for this effort to \$110,000 (one hundred ten thousand dollars).

We will also invoice Client for reimbursable expenses. Out-of-pocket expenses will be invoiced at cost. Report production and any research needed will be invoiced at our standard costs. We expect that the work will be performed locally at Client and Acme facilities and estimate expenses to be less than 5% of professional fees.



6. ASSUMPTIONS AND CHANGE REQUESTS

What must we assume for the project to succeed as drafted herein?

What is the process for change requests?

Your assumptions identify factors that must be true for you to deliver this project (e.g., having a dedicated conference room and wifi during an on-site project). Specify your assumptions (or dependencies). If these become invalid, it might be necessary to change your fee or timeframe, which is why you have defined your approvals and change request processes.

PRO TIP: *This section is especially critical in fixed-fee arrangements.*

EXAMPLE ASSUMPTIONS AND CHANGE REQUESTS

1. The scope of this engagement will be no longer than ten (10) weeks and activities will occur in a contiguous fashion as part of a single project. Additional Acme efforts resulting in any variance to the Project may result in additional fees and expenses to be addressed under a mutually agreed upon Change Order.
2. Client will provide Acme with adequate remote access to Client's development/test environments in support of the design, build, and test of the configurations, data migration, and integrations described herein.
3. Should any additional services be required or requested beyond those noted above, Acme will work with Client to mutually agree upon and define such services under a Change Order.
4. Client will sign off on the completion of each project phase prior to Acme proceeding to the next project phase.



7. FEES AND EXPENSES

How will you charge, for what, and when?

Your fees section outlines the type, frequency, due dates, late fees, and units of how you will charge the client. Your type may be time and material (T&M), fixed fee, value billing, deferred billing, benefits based, a combination, or other. Specify your chargeable units, when each is due, and when late fees apply. You should specify the client's obligation to pay taxes if applicable. Do not specify deferred payment.

PRO TIP: Clarify that all estimates are in fact estimates, subject to change.

EXAMPLE FEES AND EXPENSES

Based on the scope, approach, resources and assumptions described in this SOW, our fees for the Services are \$740,000.00 (seven hundred, forty thousand dollars) plus reimbursable expenses. Reimbursable expenses are estimated to be 15% of professional fees. Reimbursable expenses include out-of-pocket expenses for travel, communications, and other expenses incurred in the direct support of the project, which are billed at Acme's cost. Other reimbursable expenses for in-house resources such as research and report production will be billed at Acme's standard rates. Client agrees to pay Acme for the fees indicated plus reimbursable expenses. Acme will submit an invoice for one half of the fees upon Client's execution of this addendum. A second invoice will be submitted for one half of professional fees on or after Month, Date, Year. The second invoice will also include estimated actual expenses for the project. A final, third invoice will be sent approximately Month, Date, Year, which will reconcile estimated expenses with actuals.

Acme has alliance relationships with third party product and services Acmes. As part of many such relationships, Acme is able to resell certain products and services and/or may receive compensation from Acmes in the form of fees or other benefits in connection with the marketing, technical and other assistance provided by Acme. Client acknowledges that such relationships may be beneficial to Acme and assist in its performance of the services for this SOW.



8. STANDARD BUSINESS PRACTICES

What are the legal terms and conditions of your agreement?

Your standard practices section specifies all terms and conditions related to your SOW agreement. If this is a standalone SOW, meaning you have no master Consultancy Service Agreement (CSA), you'll want to be specific and comprehensive.

If this SOW includes your appended CSA, use this section to add terms missing in your CSA or specific to this project. The terms of this section supercede (have authority over) those of your CSA.

PRO TIP: *Do not assume your CSA is sufficient, and do not duplicate your CSA without checking its relevancy to the current project. This additional diligence at the get-go will save you from potential headaches down the road.*

EXAMPLE STANDARD BUSINESS PRACTICES

Client understands that Acme's performance may be dependent upon Client's timely and satisfactory performance of their responsibilities. In the event that Acme is unable to perform or is delayed in performing its responsibilities under this SOW as a result of Client's failure to perform its responsibilities we will discuss, mutually agree to and document, in a change order, any modified roles and/or fees associated with such delay or lack of performance.

To allow Acme to be able to manage participation in the project most effectively, Acme reserves the right to determine the personnel to perform the work although reasonable efforts will be made to honor Client's requests for specific individuals.

Except for either parties indemnification and confidentiality obligations provided herein, neither Client nor Acme shall be liable to the other for more than the fees paid under this arrangement. Neither party will be liable for consequential, indirect or punitive damages. Any action by either party must be brought within two (2) years after the cause of action arose.

Client shall supply on-site Acme personnel with suitable office space, desks, storage, furniture, and other normal office equipment support, adequate computer resources (including necessary third party rights to use software), telephone service, postage, copying, and general office supplies which may be reasonably necessary in connection with Acme's performance of the Services.

In connection with this SOW, each party is an independent contractor and as such will not have any authority to bind or commit the other. Nothing herein shall be deemed or construed to create a joint venture, partnership, fiduciary or agency relationship between the parties for any purpose.



9. CONCLUSION

Do both parties agree to this SOW?

Use your conclusion to close with a positive tone. Don't make broad commitments here, such as "We will do whatever it takes to XYZ" or "We look forward to making this project a success." Include your signature and specify that the client sign the document and return a copy to you.

PRO TIP: *Your project is not a deal until the SOW is signed; do not start work before a signed agreement is in hand.*

EXAMPLE CONCLUSION

Acme recognizes how important this project is to Client and the Project Team. We appreciate the opportunity to be of service to Client and look forward to working with you on this exciting assignment. I have provided you with two signed originals of this SOW; if it is consistent with your understanding and acceptable to Client, please counter-sign each original and return one to me while retaining one for your records. If you have any questions regarding our proposed support, please feel free to call me at 555-555-5555.

Very truly yours,
Acme



IN SUMMARY

Three Tips for Greater Success

1. Be diligent.
2. Avoid rushing your preparation or cutting corners.
This could leave you vulnerable later on.
3. Treat each SOW uniquely. Avoid copy-pasting SOW templates without adjusting for your specific project.
4. Stay flexible.

At the end of the day, most SOWs will change. It's understandable to revisit and reset expectations during a project, as sometimes this is unavoidable. Work closely with your client for the best outcome.



Chapter Three: Wording Your SOW Perfectly

Using the right words can mean the difference between clarity and vagueness in your SOW. Here are a list of words we recommend using (because they limit your legal obligation) and those we recommend avoiding (because they suggest extremes, absolutes, and legally binding commitments).

Words We Recommend Using:

Support, help, assist, participate
Use commercially reasonable efforts to ...
Confirm, evaluate, review
Identify, recommend, facilitate
Provide options, suggestions
Monitor, suggest, attempt
May, potentially, possibly
Work with, work towards
Estimated, targeted, budgeted, projected
Level of effort, fixed price based on fixed scope
Collaborate, co-operate, communicate
Estimated timeframes, man days
Mutual, primary, secondary
Subject matter specialist or experience
Substantial conformance to specifications

Words We Recommend Avoiding:

Fully (e.g., "fully functional," "fully compliant")
Highest (e.g., "highest quality," "highest standard")
Best (e.g., "best in class," "best practices," "best in breed")
Total (e.g., "total solution," "total satisfaction")
Complete solution
Integrate/integrated, turn-key system
Best efforts
Officer – this person has the authority to bind, and fiduciary obligations
Time is of the essence – this means no delay is immaterial
Expertise – this suggests extremely high knowledge/experience
Professional – this denotes doctors, accounts, and so forth and may be applied to malpractice issues
Ensure – this verb promises a result rather than an effort
Strict compliance – this means that no deviation is immaterial



Conclusion: You are Master of Your SOW

Your SOW sets the foundation for sound client relationships.

Well-written SOWs increase the likelihood that everyone agrees on project expectations and their roles in getting there. To facilitate your SOW drafting, print the Master Checklist on the following page.

For more tips on delivering projects better, visit mavenlink.com.

Let Us Help

Mavenlink enables your team to deliver work predictably and profitably, to the specifications of the SOW. The platform is purposely designed to provide greater distributed accountability, project performance transparency, client satisfaction, and ultimately trust.

For best results, use Mavenlink to develop a rock solid SOW and then to manage all of your project delivery from start to finish.



- Avoid marketing language or “fluff”
- Identify full legal name of client
- Reference your Master Agreement or include “Standard Business Practices”
- Specify what is within and outside the scope of arrangement
- Describe the complete list of deliverables
- Identify deliverable responsibilities of parties
- State all assumptions and dependencies
- Avoid committing any individual by name
- Don’t commit to downstream benefits
- Clarify intellectual property rights
- Avoid speculation, opinion, absolutes, and superlatives (e.g, “best,” “worst”)
- Limit use of personal pronouns (e.g., “we,” “you,” “me”)
- Define all acronyms
- Establish timeframes as estimates only
- Clearly define pricing type, amount, units, frequency and due dates
- Don’t start work without an agreement signed by both parties
- Legal should always review SOW before providing to client
- Send a signed copy to your legal department

ABOUT MAVENLINK

At Mavenlink, we've built the all-in-one system for professional services providers to deliver work predictably and profitably.

With a single view of your project management, financial tracking, and real-time custom reports, Mavenlink gives you a macro and micro view into your business. So you can scale profitably in today's booming service level economy (SLE).

Learn more about Mavenlink for agencies and the SLE at www.mavenlink.com.

