The Most Important Element of an Information Technology Statement of Work

2021

White Paper

The Most Important Element
in an IT Statement of Work

White Paper

The Simplar Foundation's ultimate goal is to give back to industry professionals by sharing documented research findings, documented experience, and lessons learned that are proven to increase project and organizational performance. Simplar Foundation White Papers are based on collaborations between academia and industry to capture such wisdom and distill practical guidance in an easy-to-read format.

This White Paper is based on the experiences of dozens of client organizations in procuring, contracting, and implementing numerous information technology (IT) solutions. The intent of this White Paper is to pass along lessons learned that may be useful for industry professionals to incorporate into their future projects.

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The Big Question

When faced with a new Information Technology (IT) Project, the first question to ask is:

Has the Client documented their *Current Conditions*?

What are Current Conditions?

Think of it almost like a "training manual" that details everything about the Current State environment that will be impacted by the project. What is the Current State of the existing legacy system, its functionality, its strengths and weaknesses, the users, the user needs, the data characteristics, system architecture, integration diagrams, and the reporting, dashboards, outputs, and any other relevant information.

Do Clients Really Need to Do This?

For sure! Current Conditions are the **most important** information for Vendors.

Why Are Current Conditions So Important?

This is what vendors are **MOST** interested in and it is their primary pricing consideration.

From a vendor's perspective, the software implementation process is like travelling from "Point A" (Current State) to "Point B" (Future State). And "Point A" is actually more important than "Point B" because it shows their starting point & reveals what to expect on the journey.

Remember, vendors already have a decent idea of the Future State, because it is essentially their own system (which they already understand in detail) being set up for the client's specific environment.

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Reasons Why Current Conditions are Critical to Success

- Enables better comparison between vendor proposals (because they have the same understanding of the starting point)

- Enables vendors to provide realistic approaches (to go from "point A" to "point B")

- Vendors can align their best team to meet the client's specific needs (because they more clearly understand what skillets are needed for the journey)

- Every day spent collecting this information pays the client back multiple times over during implementation

- If the client does not do it, the vendor will collect this information later… and they'll be "on the clock" … and they won't be as accurate as the client can be (because no one knows the client's current system like they themselves know it)

- *Ultimately, inclusion of clear, concise, and complete Current Conditions will result in a greater potential of selecting the right system and the right vendor team!*

Common Reasons for Skipping the Current Conditions

Unfortunately, there are a number of reasons that client teams will put forth as justification for "skipping" their Current Conditions. The following is a list of the seven (7) most common reasons along with the reality of why the reason is insufficient for skipping the current conditions!

Reason #1: Why bother when vendors care way more about the Future State, right?

Reality: Vendors care about the Current State as much (or more) than the Future State.

- o Think about it from the Vendor's perspective… they bring hired to take the client on a journey from their Current State to the Future State.

- o The Future State is largely defined by the capabilities of the vendor's existing system – which they are very familiar with. But the status of the client's Current State is what drives their price, their plan, their resources, and their ability to optimize their system for the specific client's needs.

- o Without providing the Current Conditions, vendors are "flying blind" into the deployment.

Reason #2: But if the client focused on their Current Conditions, then the vendors will just propose to "rip-and-replace" the client' old system. Usually this is NOT what the client wants. Instead, the client wants to improve upon their old system!

Reality: Documenting Current Conditions does NOT mean the client is simply replacing them in the exact same way.

- o The Current Conditions are just the starting point! And client still should define their Future State Requirements – which can differ from the Current State in whatever way is desired!
- o And no matter what the Future State goal is, vendors want to know what the client is doing today in their Current State. Even if vendors are not replacing the Current State, this is still the baseline condition the vendor is walking into, so they will want to understand the "lay of the land" (in detail).

Reason #3: But if we tell vendors our Current State, they'll know about all our challenges, gaps, and constraints and then they will charge us more! We don't want them to know our limitations – that's just bad negotiation!

Reality: Every single challenge, gap, and constraint will be paid for in the end, they cannot be escaped or overlooked!

- o The real question is: should the client seek price competition on the best approach to overcome those challenges? Or should the client wait and only negotiate around each challenge with a single vendor (during the project, when schedule is slipping, executives are asking for updates, and emotions are high)?
    - ▪ Which scenario is cheaper?
    - ▪ Which results in more stress?
- o A second question: Should the client compete specific recommendations, ideas, and solutions that vendor teams can propose to overcome those challenges? Or should the client wait until they are locked into a single, lone team and only get ideas from them?
    - ▪ Which scenario has a greater chance of creating innovation?
- o A third question: Should the client want a realistic plan – that accounts for all potential challenges – before they sign the contract with a vendor? Or should they sign the contract with a plan that completely overlooks every challenge?
    - ▪ Which scenario is more likely to result in more change orders, more delays, and more pain?

Reason #4: Should the client simply ask the vendor document the Current Conditions?

Reality: Clients can do this. And the vendor will love it. They will be "on the clock" in a situation where the client has admitted to not being capable of documenting what they are *already* doing. This is a potential money train!

And don't forget about two important considerations:

- o A vendor will never be able to document current conditions as accurately as the client can do it themselves. No one knows you like you know yourself!
- o The only way for the vendor to document Current Conditions is to come ask the client to provide access to the current conditions, which means the client is still spending substantial of resources for the effort anyway!

Reason #5: What if the client does not have a legacy system to document because everything is manual and home-grown. Current conditions do NOT apply to those situations, right?

Reality: This makes Current Conditions even MORE important!

- o Homegrown environments are completely unknown to the vendor community; therefore, skipping the Current Conditions will result in greater uncertainty, increased risk, and ultimately greater contingency in the vendor's pricing.

Reason #6: What is the client does not have time to document our Current Conditions!

Reality: The current conditions will need to be documented – either now or later.

- o The only question is whether vendor is on the clock when it is happening.
- o And remember, the vendor isn't as well-equipped to document Current Conditions as the client is – so it could actually take them longer than if the client does it themselves.

Reason #7: Current Conditions are irrelevant because the client will adapt their internal processes to match the vendor's Out-of-the-Box solution.

Reality: Time for a tough truth. There is no such thing an Out-of-the-Box solution (that is completely independent of Current Conditions). Think about it this way:

o Does the system need to integrate other systems? That's a Current Condition!

o Does the client have any competitive advantages or unique aspects of their operations? That's a Current Condition!

o Does the client have historic data formats and migration needs? That's a Current Condition!

o Does the system need to produce certain dashboards, reports, or outputs that support operational needs? That's a Current Condition!

o Does the system need to perform certain calculations or functions that are unique to the client's operations? That's a Current Condition!

o We could go on, but you get the point…

The Bottom Line

Documenting the Current Conditions is critical!

Every day the client spends up-front to document their Current Conditions saves roughly 10-20 days of effort during the implementation.

Yes, the payback is really that high!

Maybe the best question is: can clients afford to NOT document their Current Conditions?

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