

# STATEMENT OF WORK (SOW) FRAMEWORK: ENGAGEMENT PATTERNS

A FIELDGLASS WHITEPAPER



Getting a handle on Statement of Work (SOW) spend can boil down to the ability to see the forest through the trees. It may seem like an unfeasible undertaking to centralize the management of your SOWs; however, it is possible if you take a systematic approach to understanding how your organization currently uses them.

Because most organizations are already utilizing SOWs in one way or another, the issue isn't understanding the basics of how they work. Instead, companies are now taking a step back and looking at their programs more holistically before diving into the tactical resolutions that will help them achieve goals such as better quality, higher efficiency, compliance mitigation and cost savings.

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Identifying factors such as the service category, engagement pattern and administration type can help determine the tactical business processes that will make management easier.

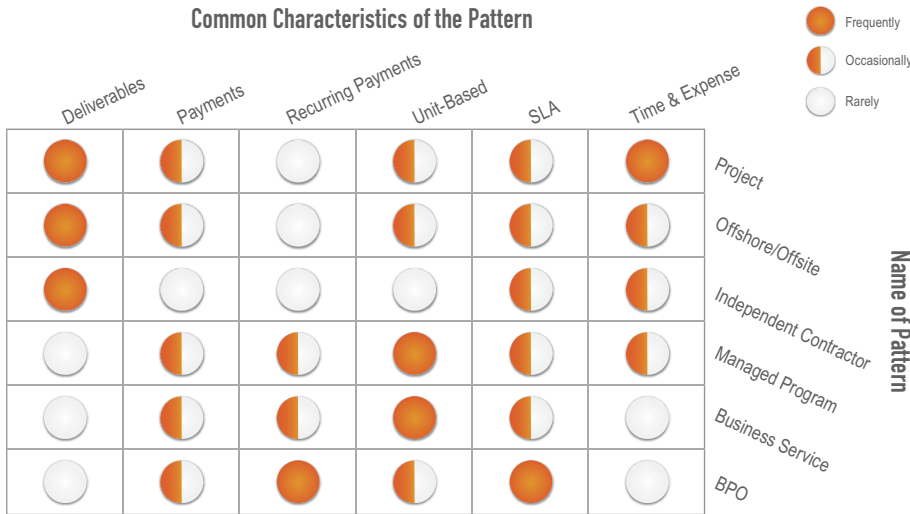
**Service Category:** The type of work your organization is currently using SOWs to complete, including IT services, financial services, engineering, business consulting, print and marketing/creative, among other types.

**Engagement Pattern:** Consistent patterns are emerging in the market as more organizations use SOWs. Some examples include project-based, independent contractors, offshore/offsite, business services, managed program and Business Process Outsourcing (BPO).

**Administration Type:** The tactical approach to managing SOWs that fits best based on the service category and engagement pattern. Likewise, the administration type differs based on whether a program has a Managed Service Provider (MSP) or is self-managed.

No two SOWs are managed the same way, even within one organization; however as more and more SOWs are used, identifying consistent trends will help you hone in on what's worked and where to make improvements. Keep in mind that specific service categories are not automatically associated with a certain type of engagement pattern or administration type – factors such as the organizational culture, corporate strategy and business goals play a large role in determining the actual structure of the SOW agreement.

In this whitepaper we'll focus specifically on engagement patterns and in particular, six that have been consistently identified across our customer base. Keep in mind that recognizing engagement patterns is just one piece of the puzzle and fits into a much larger framework of SOW management. Also, these patterns are not mutually exclusive of one another and there will be overlapping characteristics from one to another. With this in mind, use the [SOW Worksheet](#) to start looking at your program from a high level. This whitepaper can initiate an ongoing dialogue as more SOW engagement types are identified.



*This chart outlines common characteristics of some typical engagement patterns including deliverables, payments, recurring payments, unit-based, and time and expenses. Depending on the engagement pattern, each characteristic can occur frequently, occasionally or rarely.*

**Projects**

Project-based SOW engagements are fairly common and have a definitive focus on deliverables. These projects typically have a fixed endpoint and a well-defined group of people working on them who are paid upon completion of a pre-defined set of deliverables. With this kind of SOW in place, the team is often located on-site and integrated with full-time staff.

For example, a customer in the technology sector used a project-based SOW to leverage a specialized team and its expertise for a new implementation. This team included project managers and subject matter experts who worked onsite, went through the onboarding process and tracked timesheets and expenses. These consultants were paid only when the implementation was finished and all associated deliverables were complete.

**Independent Contractors**

Like project-based SOWs, the work of independent contractors is largely focused on deliverables; however these workers are often specialized and work independently. A specific endpoint exists with these contractors as well and the worker can either be well integrated into the staff or work offsite. The independent contractor, or 1099 worker, contracts directly with the corporation whereas in a project-based SOW, negotiations take place between one corporation and another.

Misclassification is a major concern – the significant rise in the use of independent contractors in recent years has led regulating bodies to closely monitor engagement with them and companies have been more diligent about properly classifying workers.

A customer in the software industry utilized an independent contractor when it required a designer for its marketing team. In this case, the independent contractor spent some time working with full-time staff but also working remotely. As part of this SOW, the organization negotiated directly with and tracked the activities of the worker, and both agreed on a specific end date for the project.

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### Offshore/Offsite

Within an offshore agreement, the resources are not tracked and are unknown to the buyer. No onboarding, offboarding or employee tracking takes place and the buyer is again primarily focused on deliverables. This particular SOW can also include subsets of offshoring such as offsite, remote and nearshore.

Offsite, remote and nearshore SOW agreements share similar characteristics; however the workers live and work in the country of origin. These agreements are also very similar to project-based SOWs but there is less emphasis on onboarding and named individuals.

One example of this kind of project is a customer in the automotive industry that ran an engineering design project offshore. The automotive company was not involved in the day-to-day operations of the project. The workers on the project were located outside the country of origin, didn't fill out expenses or timesheets and had no interaction with the buyer company.

### Business Services

With this type of SOW, multiple stakeholders within an organization engage with the service provider on an as-needed basis. Although there are schedules and deliverables associated with this SOW, business services are typically unit- or hourly-based and performed "a la carte."

Customers have initiated this type of SOW when they needed accounting or legal services across its business, such as a lawyer to look over contracts or an accountant to prepare its taxes. As a need arises, the organization commissions these "one-off" requests through the creation of an SOW.

### Managed Program

When a company uses this type of SOW, it doesn't have a precise project or deliverable in mind, but would like to retain a partner in advance to provide services as needed. Like a business services SOW, multiple stakeholders within an organization will have access to this supplier; however the services provided are much more comprehensive than the "a la carte" services.

Companies might engage this type of SOW when they're planning their budget for a particular spend sub-category such as application maintenance for the upcoming year. While they are uncertain about the specifics of what type of work will be done or the deliverables that might be associated with it, the organization initiates an SOW to ensure that a supplier is available as it is needed.

For example, a leader in the banking industry utilizes this type of SOW regularly – it has a committed spend to suppliers in certain sub-categories and its hiring managers simply tap into the resources as they are needed. The customer has a set of pre-negotiated rates and skills with the supplier beforehand to ensure cost, quality, efficiency and compliance. With this type of SOW, there is never the sense that the workers are going to roll off because they're part of a committed budget.

### BPO

When organizations enlist this type of SOW, it's because they are either not proficient or interested in managing the business function and want to procure the expertise of an outside resource. Some common types of BPO involve business functions such as IT Outsourcing (ITO), Human Resources Outsourcing (HTO), call centers, cafeteria operations and lawn care. These SOWs are more common with larger organizations because the incentive of a partnership is substantial for suppliers – the bigger the organization, the more services will be needed. A key differentiator with BPO SOWs is that they typically involve scheduled, unit-based payments and Service Level Agreements (SLAs).

For example, a financial services industry customer needed food services for its employees but didn't have the expertise, time or resources to devote to delivering these hospitality services. As a result the customer engaged with a supplier who manages all aspects of the food services, with payment based on how much of the services are consumed.

### Closing

There is no one prescriptive path for what sort of SOWs your organization requires; however it's possible to navigate this potentially confusing space with a methodical approach. If you take time to determine how the engagement patterns outlined above fit within your own organization, you'll be one step closer to achieving cost savings, quality, efficiency and compliance within your SOW program. The [worksheet below](#) can help you get started thinking about how your organization currently utilizes SOWs.



#### Related Resources

- [Developing and Managing an Effective Offshore Program](#)
- [The Next Frontier: Tackling Complex and Project-Based Services Spend](#)
- [A Statement of Work \(SOW\) Backdrop - The Foundation of a Business Case](#)



#### Contact

To learn more about Fieldglass or how SOWs are currently being utilized in your organization, please don't hesitate to contact us at [info@fieldglass.com](mailto:info@fieldglass.com) or visit [www.fieldglass.com](http://www.fieldglass.com).

### About Fieldglass

*Fieldglass' Vendor Management System allows Global 2000 organizations to better procure and manage their contingent labor and services managed through Statements of Work. Our customers gain visibility into complex services spend, improve worker quality, enforce both corporate and external compliance and realize greater contingent workforce program efficiencies.*

**SOW Worksheet**

Use this SOW Worksheet to start looking at your program from a high level. The accompanying whitepaper, *Statement of Work (SOW) Framework: Engagement Patterns*, can initiate an ongoing dialogue as more SOW engagement types are identified.



**Projects**

- Is there a specific start and end date for this engagement?
- Is payment rendered on the completion of deliverables?
- Do workers track time and expenses?

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**Independent Contractors**

- Does an individual worker contract directly with the corporation?
- Is the work of the IC primarily focused on deliverables?
- Does a specific end point exist for these contractors?

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**Offshore/Offsite**

- Is there a specific start and end date for this engagement?
- Do you have visibility/specific knowledge about team members?
- Are these engagements primarily focused on deliverables?

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**Business Services**

- Have multiple stakeholders within an organization engaged with this services provider?
- Are the services provided on an “a la carte” basis?

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### Managed Program

- Is there a pre-negotiated pool of hours?
- Does a single provider supply services to multiple requesters?
- Are deliverables important with this type of engagement?

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### Business Project Outsourcing (BPO)

- Do you pay your suppliers only when SLAs are met?
- Are additional fees incurred for one-off or special events?

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