

Use this checklist to define the functional and technical requirements for a Strategic Relationship.

Instructions

1. Your answers to these questions will become the Statement of Work and will influence the terms and conditions in the final contract.
2. These lists are not exhaustive; these questions are just the beginning of your conversation with Agency stakeholders. So, in your own daily work, start with this list and build on it.
3. These questions may also help you identify risks and associated losses. Please see below for instructions on the inclusion of your answers in the Risk Monitoring Template.
4. These questions and answers will also help form the Scorecard and Governance structure.
5. Once the outcomes, performance indicators, and collection of data is identified, the contract professional, contract manager, the technical representatives and any SMEs can collaboratively outline the work the vendor must perform to meet the performance requirements. For this portion of the work, refer back to the Checklist for Success for a Hybrid Purchase as it is likely that the agency will be purchasing several services from the vendor to achieve a holistic outcome. Rather than thinking about goods and a service, think about a primary service and a secondary service when answering the questions in the checklist.
6. The table referred to throughout this document is located on the last page.

Requirements Checklist

To begin to think in terms of business outcomes consider Agency's business objectives and those objectives' connection to the strategy for the relationship (note I did not say for the specific vendor).

Business Objectives

- Get copy of the business case, budget analysis, spreadsheet with projected savings, etc., anything that the stakeholders are using to fund, direct, or internally discuss this project.
- Or in the alternative—develop a business objective questionnaire based on the Stakeholder Analysis Tool, the Checklist for Success for a Hybrid Purchase, and your own questions. Send this around for review and discussion. (Be prepared that stakeholders will have different needs, wants, or requirements.)
- Ask each stakeholder to tell you at least *two improvements* they want from the relationship that seem obvious to them but need to be communicated to the vendor. (These answers will validate that the technical and functional requirements are complete.)
- Ask stakeholders to identify at least *two potential benefits* for bringing in a vendor beyond those already communicated to you. (These answers will identify service metrics or service level agreements.)

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With this information, identify 3-5 outcomes for the requirements spreadsheet. Outcomes could look like these:

- Operate a financial system that effectively and efficiently manages *XYZ* spend.
- Optimize the division of services, (between agencies, between vendors within an agency, between an agency and the federal government) leveraging collective capabilities to deliver *ABC* service to the community.
- Minimize environmental impact of *JKL* on the community.

Once the agency identifies the 3-5 outcomes, place them in the left most column (Business Outcome). The next step will be to identify the associated and necessary performance from the vendor. Note that this is different from the traditional way of developing scopes of work. Normally, business people think of the work requirements and then the performance requirements. *In an outcome based setting, the outcomes lead to performance and then to the work requirements.*

Performance Objectives

Identify the Key Performance Indicators (KPIs) that will demonstrate the vendor's performance against the agency's outcomes.

- Ask stakeholders to tell you what *their supervisors* need to know about the progress of the project. For example, if the objective is:
 - Operate a financial system that effectively and efficiently manages *XYZ* spend, *then the KPI could be actual spend versus budgeted/estimated spend.*
 - Optimize the division of services, (between agencies, between vendors within an agency, between an agency and the federal government) leveraging collective capabilities to deliver *ABC* service to the community, *then the KPI could be a reduction of the number of service disruptions as consumers move from one agency's services to another.*
 - Minimize environmental impact of *JKL* on the community, *then the KPI could be a reduction in the carbon emissions of agency owned equipment performing a service within the agency.*

At this point, it is important to stay high level to ensure that all stakeholders and their supervisor's needs are met. Place the KPI in the column to the right of the Business Objective Column.

- Identify any industry-wide performance standards (Service Level Agreements—SLAs) associated with the KPI. This standard will help benchmark vendor's proposals and their performance in these highly strategic arrangements. Place an industry-wide standard in the column titled performance standard. (99% uptime, 20% reduction in emissions etc.)
- If there are no known published standards, the stakeholders will create their own performance standard. That performance standard will be placed in the column.
- Identify any allowable tolerance for the performance standard. In other words, if the vendor meets the goal of meeting 90% of a 20% emissions target is that on, meeting, or below target? Use a percentage, or other numeric value. Place the numeric value in the column for tolerance.

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- Identify any liquidated damages associated with a missed target. In other words, if the target is to reduce emissions by 20% and the vendor only reduces emissions by 70% of the 20%, should the vendor pay an amount in pre-determined liquidated damages? Place any liquidated damages in the middle column.

Next identify who will collect the data to support the metric, how the data will be collected and how often. Ask the stakeholders, a technical representative and the Contract Manager following questions:

- Ask stakeholders to identify any reporting requirements they will need to demonstrate performance to their supervisors. Is it clear to them and to you who will be collecting the data? Is it clear that the party receiving the data will trust the data? Will the data be in a form that is comprehensible to the receiving party?
- Then specifically determine:
 - o Which organization will collect the data associated with the metric?
 - o What data is needed to validate the metric?
 - o How will the metric and associated tolerance be calculated?
 - o How often does the collecting organization need to collect the data?

Place the answers to these questions into the various columns from the middle to the right. Then finally:

- Ask the stakeholders about the recommended issue resolution process if the parties do not agree on the contents of the data, especially if that data could lead to a claim of liquidated damages.
- Ask stakeholders to identify the risks associated with the work from their point of view; things like disruption of services to a vulnerable community, or the delay of another time critical project, or the agency being out of compliance with a federal regulation or law. The Contract Manager and technical representative will identify risks as well, but it is essential to understand the stakeholder's perception of risk before the solicitation for proposal is issued.
- Note: If the stakeholders do not have the answers to the questions about performance, consider issuing a Request for Information (RFI) to solicit answers from the vendor community.

Scorecard

Ideally, scorecards track KPIs, those critical few (3-5) metrics that reflect the vendor's performance against the Agency's business outcomes. For truly strategic relationships, it is worth your time as the Contract Professional to develop a customized scorecard or customize an existing scorecard using this document. Typically, the Agency and vendor would agree to those two or three performance measures as outlined in the table below. As a note, the Contract Manager should consider developing a high-level definition overview as a way of outlining the underlying assumptions associated with the document's creation. This is especially helpful if there is any indication at all that an Agency team member might enter the contract management function after contract execution.