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## CAUSES OF SCOPE CREEP AND HOW TO AVOID THEM: A Practical Guide for Contract Logistics Companies



Like an overheating car engine, a supply chain contract that experiences scope creep is easy to identify and hard to diagnose. Persistent scope creep issues can come from many stages in the on-boarding process and present a formidable challenge to any contract logistics provider. However, by identifying the root causes of scope creep, and proactively working to mitigate these risks, 3PLs can eliminate persistent issues and capitalize on potential gains.

In this article, we will examine four root causes of scope creep that are common in the customer on-boarding process which are particularly acute to contract logistics companies. We will then identify some actionable strategies that reduce inefficiencies and shore up workflows. **After reading the article, you'll be able to identify pain points in your organization's processes and take away practical advice that will expand your margins well into the future.**



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The Customer Success Platform for Logistics

## 1) CAUSE #1:

### Incomplete Hand-Off from Commercial Team to Operations

Though solution designs and proposals are reviewed meticulously throughout the drafting process, some details will inevitably slip through the cracks. When a contract lacks detail in its terms, requirements can become unclear for all parties involved. This lack of clarity can not only burden the operations team with unreasonable expectations, but it also may cost time and effort to resolve.

According to Penn State's 2019 study on Third-Party Logistics, most shippers and 3PLs agree that data sharing issues in their organization have led to declines in customer satisfaction. Chuck McDaniel, a 28-year veteran of Procter and Gamble's International Supply Chain Planning and Logistics department, warns of "real and lasting consequences to 3PLs that don't make data sharing a priority across their commercial operations."

In cases where communication lines already exist, the time required to reach a resolution can be minimal. However, a simple phone call or email is usually not a sufficient fix. Instead, avoiding estimations and having accurate data at hand will assist in keeping requirements concrete from the outset.

Andy Clarke, former CFO at CH Robinson, recognizes the necessity of having the clearest data available:

*"Brokers and carriers have to collaborate around standardized processes, sharpen their ability to extract better data, and use that to make smarter decisions, knowing how quickly the market changes."*

The testimony above underlines the importance of standardization and collaboration to the success of any logistics company.



**Recommendation:** Contract logistics firms must see the RFP and Tender team managing demand and the operations team handling delivery as one continuous workflow. The two teams should share data, insights, and visibility surrounding their internal processes. When the RFP and Tender team generates a bid response, operations should provide feedback to the pricing specialists when they bring a customer live. Unfortunately, communication can fail because critical players are often in numerous locations and reporting to different organizations all-together. Thus, it is vital to erase organizational boundaries and integrate workstreams. Taking these actions will reduce downstream scope creep considerably.



## 2) CAUSE #2:

### Contingency Issues and Lack of a Remediation Workflow

Scope creep can also occur when contracts do not account for complications that may arise in the fulfillment process. It is impossible to plan effectively for every possible incident, especially when a 3PL is working with dozens of stakeholders, each with their own internal system. However, failing to draft a contingency plan and remediation workflow for common problems will multiply the effects of scope creep on a contract timeline. The complexity inherent to a 3PL's handling of a diverse customer needs means that challenges can arise at any scale and with any organizational division or trading partner--from customs brokers and warehouses to ocean and trucking carriers. A minor change in customer requirements can cause unanticipated consequences in defining scope. On the other hand, large-scale challenges can have an even more significant impact on scope creep. Recurring macro-level issues in contract fulfillment include illness, strikes, poor weather conditions, and a wide variety of malfunctions. These increasingly frequent troubles stall manufacturing and production, delay transport, and may even halt sales for certain goods. These risks are compounded in the third-party logistics sphere, where on-boarding often takes place in an interdependent global ecosystem.

One explanation for contract delays comes from a phenomenon known as the network effect. When on-boarding a customer, 3PLs use limited resources to manage dozens, if not hundreds, of trading partners and internal players. The network effect suggests that each time the 3PL coordinates with a new partner or offers a new service, the likelihood of delays increases. Whether the player is a customs broker, road carrier, or warehouse operator, the communication network's complexity continues to increase.

With these risks in mind, be sure to include contingency planning as a core element of your contract. Answer questions such as, "Who will transport the finished goods if the 3PL's trucking company is on strike...or files for bankruptcy protection?" Ultimately, it is crucial to know who is liable for a contingency situation. If the responsibility lies with your organization, you can plan effectively without missing a beat and maximize your protection against scope creep. However, if the requirement remains unclear (see Cause #1), then the determination of liability can cause cascading delays that ruin your days in the black.

**Recommendation:** Before on-boarding a customer, review and agree to a contingency plan and remediation workflow where all stakeholders accept the process for working through unexpected events.

Several steps should be adhered to in the negotiation of a contingency plan. Begin by assessing all possible risks, paying attention to weaknesses that have caused past conflicts. Then, suggest several options that will be mutually agreeable to all parties involved and reach a consensus around the preferred solution. If a problem does arise, then a well-planned remediation workflow will be critical to reducing delays. For the most success, a path for escalation must be defined before on-boarding begins. When remediation becomes necessary, commit to full transparency and accountability. Work towards finding a solution that will satisfy stakeholders and be sustainable in the long-term. After remediation ends, take time to learn from mistakes and implement proactive measures to reduce risk going forward.

Ideally, this conversation can occur on a centralized digital platform, where beginning the contingency plan workflow can be done by the click of a button, and everyone can stay informed of their part.

### 3) CAUSE #3:

## Intermittent and Inaccurate Communication

When a contract warehouse organization receives an award, a diverse array of stakeholders must collaborate towards the common goal of activation and fulfillment. In times long past, email threads of unending CC's and BCC's were commonplace. This practice is no longer a viable way to conduct business, especially when commercial email accounts mix with private email servers. Emails disappear into spam boxes, and, without fail, someone will miss a crucial communication. Additionally, this strategy comes at an enormous cost of lost labor. According to the Adobe Annual Email Use Survey, the average worker spends 209 minutes a day reading and responding to email. The opportunity cost of this time sink, especially when considered company-wide, is tremendous.

Accordingly, to remain competitive, businesses must streamline communications and take their coordination efforts to the next level.

**Recommendation:** Create and maintain one document repository organized by customer, where all documents are held--RFP responses, pricing strategy, award documents, SOPs, QBRs, and any other relevant data. In short, the more information that is shared in one place, the better the results. However, this recommendation comes with a qualification: 3PLs should invest in contextual collaboration services. A “fire hose” feed like Twitter or Chatter displays each post in a centralized feed, regardless of its original context. If someone misses the message, they will miss the information. Instead, a contextual service will create a separate communication thread for each aspect of business operations. The original context follows the conversation, and everyone stays in the loop.






**C.H. ROBINSON**

*“Our natural instinct is, ‘Well, we should just automate this process.’ But if the process hasn’t been simplified and standardized - and you haven’t asked some tough questions, you may be automating something that shouldn’t be automated.”*

**-Andy Clarke,**  
Chief Financial Officer (former),  
CH Robinson



#### 4) CAUSE #4:

### Collective Decisions Made by Feelings not Facts

Intuition, that “gut feeling” which tells us if something is wrong or right, has an important place in business. It has served business owners well for thousands of years. Yet when we lend consequential group decisions to intuition rather than quantitative data, the result is not always in the best interest of everyone involved. Undervaluing the importance of quantitative data in decision-making is a root cause of scope creep.

One quantitative approach to making collective decisions is known as gating. Gating is especially useful for projects that develop over several stages, where each new phase is heavily dependent on the work that comes before it. In this framework, teams conduct a mandatory review after each step, verifying the work completed against an established set of criteria that was agreed upon by everyone. In the world of Lean Six Sigma, this requirement is called a stage-gate.

The approach of gating can be applied to several aspects of a 3PL’s operations. For example, teams can use stage-gates to make collective decisions on whether to move forward with a qualifying RFP. Stage-gates are also useful in determining the course of action for correcting a failing on-boarding process. Unfortunately, it isn’t easy to automate the stage-gate process with technology. Nevertheless, up and coming companies are making impressive innovations in this area.

**Recommendation:** Identify areas in your organization’s operations where gating could be applied. Upgrade these processes by combining the power of stage-gates and the efficiency automated software that aggregates inputs from across teams, across the world.

In summary, scope creep is a complex problem that requires careful consideration throughout the execution of a 3PL’s contract. By tackling the root causes of scope creep, your organization will be in a better position to tackle problems well before their consequences multiply.



## ABOUT WINMORE

### Customer Success Platform for Logistics Companies

Winmore's Customer Success Platform helps commercial teams win more RFPs, accelerate time-to-value and build customer relationships at scale.

- **Bid and Tender Collaboration** for commercial, pricing, contracts and product teams to qualify and respond to RFPs and tenders, boosting win rates.
- **Customer Solution On-Boarding** for managing complex on-boarding customer implementations, accelerating time-to-value, reducing the risk of scope creep and improving operating margin.
- **Business Process Design Studio**, a drag-and-drop business process modeling tool for developing multi-stage, collaborative workflows to bring your custom processes to life.

Winmore powers the customer success initiatives at some of the world's most respected logistics service providers, including carriers such as Averitt Express, brokers like CH Robinson, forwarders including Kuehne + Nagel and contract logistics providers such as LF Logistics.

Winmore was recently recognized by FreightWaves as a *FreightTech 100*, an award reserved for the most innovative software companies in the world.

Learn more at [winmore.app](https://winmore.app)



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