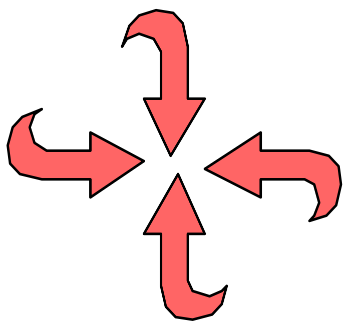
How to Establish Service Level Agreements



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WELCOME TO THIS HANDBOOK

Greetings,

This handbook represents more than a decade of experience providing SLA training and consulting services internationally. I hope you find it helpful.

Please note that this handbook is copyrighted. You have my permission to reproduce it for use by those with whom you are creating SLAs and those who are participating in the effort. However, reproduction or use of this handbook for any other purpose is prohibited except with my written permission. And you'll need my written permission to use this handbook, in whole or in part, for commercial purposes. I invite you to contact me at naomi@nkarten.com to discuss permissions.

For information on my SLA presentations, seminars, and consulting services, see Chapter 9 or visit **www.nkarten.com/slaservices.html**.

Be sure to check out my articles on SLAs and numerous related topics at **www.nkarten.com/indepth.html** and in my newsletter, **Perceptions & Realities**, at **www.nkarten.com/newslet.html**. If you would like to be notified when I've posted new articles or newsletters, let me know and I'll be happy to add your name to the list.

I wish you all the best in your SLA efforts.

Naomi Karten

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ABOUT THE AUTHOR

I've always been fascinated by human behavior. Drawing from my B.A. and M.A. in psychology, and extensive experience in technical and management positions, I've presented seminars and keynotes to **more than 100,000 people** internationally.

My training, consulting, presentations, and writings have helped organizations and groups improve customer satisfaction, improve provider/customer relationships, strengthen teamwork, and manage change.

I'm the author of **Managing Expectations: Working With People Who Want More, Better, Faster, Sooner, NOW!**, a book which offers a serious, light-hearted look (yes, *both!)* at expectations in the workplace and how to manage them better. My book, **Communication Gaps and How to Close Them**, describes how to use communication as a tool to build relationships, strengthen teamwork, manage change, deliver superior service, and deal with everyday misunderstandings.

My newsletter, **PERCEPTIONS & REALITIES**, offers ideas and advice on how to deliver superior service and build win-win relationships. Readers have described the newsletter as lively, informative, and a breath of fresh air. I've also published more than 300 articles in business and trade publications and websites. I'm a member of the National Speakers Association, and for three years was editor of NSA's newsletter for international speakers.

My eBooks include:

- How to Establish Service Level Agreements
- Why SLAs Fail and How to Make Yours Succeed
- How to Critique and Strengthen Your SLAs
- An SLA Template and How to Use It
- How to Survive, Excel and Advance as an Introvert
- Changing How You Communicate During Change
- 40 Frequent Feedback-Gathering Flaws and How to Fix Them
- How to Profit (Quickly!) by Writing a Handbook

My website (www.nkarten.com) is regularly updated with articles on such topics as managing expectations, improving customer satisfaction, strengthening teamwork, managing change, and gathering customer feedback. I invite you to take a look.

I'm an avid downhill skier who has taken numerous trips to the Rockies and the Alps. My husband and I enjoy helping friends and colleagues plan ski trips to faraway places.

OBJECTIVES OF THIS BOOK

A service level agreement (SLA) is an excellent mechanism for creating a common understanding between a service provider and its customers about services and service delivery. It is a communication tool that helps to manage expectations, clarify responsibilities, and provide an objective basis for assessing service effectiveness.

However, establishing a successful service level agreement can be a complex undertaking, and it is not the solution to *every* problem. If established in the wrong way or for the wrong reasons, it can create bigger problems than those it is trying to solve.

This book will help you understand SLAs and prepare you to create your own SLA by:

- Discussing what an SLA is — and what it is not
- Describing what makes a service level agreement (SLA) work — or fail to work
- Explaining how a service level agreement can help to improve communications, manage expectations, and build the foundation for a win-win relationship
- Outlining the key elements of an SLA and their functions
- Providing detailed guidelines for planning, developing and managing an SLA
- Enabling you to critique an existing SLA or one that is under development

FRAMEWORK OF THIS BOOK

This book is divided into 8 chapters. Here is a view of the structure by chapter:

#	TITLE	FOCUS
1	SLA: Role and Key Features	An overview of what an SLA is, its benefits, the parties to an SLA, and related information
2	The SLA Document and Process at a Glance	Overview of the SLA document and the process of establishing an SLA
3	Exercise 1: Evaluation of a Sample Agreement	An exercise that develops skill in evaluating an SLA, highlights common flaws in SLAs, and sets the stage for the information in Chapters 4 and 5.
4 & 5	The Service Elements The Management Elements	Descriptions and examples of three Service Elements and three Management Elements that are key to a successful SLA
6	Exercise 2: Evaluation of a Sample Agreement	An SLA that offers an opportunity to gain experience in critiquing an SLA using the information provided in the preceding chapters
7 & 8	Critical Initial Steps Development Checklist	Guidelines for establishing an SLA, presented in the form of four critical initial steps and six steps that comprise the development process

DISCLAIMER

This handbook focuses on the service level agreement as a communication tool and an expectations-managing mechanism. No claim is made that a service level agreement that you establish as a result of this book will legally protect you or your organization.

If your service level agreement must be capable of protecting your company's interests in a court of law, it is your organization's responsibility to ensure that:

- negotiation of your Agreement on behalf of your organization is carried out by skilled negotiators
- your Agreement is reviewed, modified as needed, and approved by attorneys or other appropriate legal or corporate authorities before it is finalized and signed
- your Agreement is valid, legal and enforceable according to the laws and regulatory provisions of the states and countries in which it is to be in effect

PERMISSION TO USE SAMPLES AND EXAMPLES

This book includes sample service level agreements (Chapters 3 and 6) and examples from many SLAs (Chapters 4 and 5) to assist you in organizing, wording, and writing your own Agreement. Permission is granted to use or adapt these samples and examples for use in your own organization. Please note that if you do so, it is your responsibility to tailor them to fit the needs and circumstances of your own organization.

CHAPTER 1:

SERVICE LEVEL AGREEMENTS:

ROLES AND KEY FEATURES

Chapter Overview

This chapter provides a foundation for describing the SLA document and process by:

1. Presenting one organization's approach to establishing an SLA, and offering comments and recommendations regarding this approach.

2. Describing what an SLA is and what it can realistically accomplish.

3. Providing information that will help you inform and educate others about SLAs in order to gain their support and cooperation.

CASE STUDY TO SET THE STAGE

This case study is based on a real situation, and reflects a view of SLAs common in many organizations. It therefore provides an excellent starting point for considering what an SLA is, how it works, and how to go about establishing one.

After reviewing this case study and considering the questions below, turn the page for some comments that may add to your own ideas.

THE SITUATION:

A customer support director described his plan:

> Our customers are complaining too much, so we are going to establish a service level agreement to stop their complaining. I have directed my staff to write the agreement. When it is completed, we will pilot it with our best customers and request their feedback.

QUESTIONS:

1. What is your reaction to this director's plan?

2. What is positive and negative about this plan?

RECOMMENDATIONS FROM THE CASE STUDY

Most people who review this case study are quick to find fault with the customer service director. Nevertheless, he is far from unique; this type of situation is extremely common and suggests several issues to keep in mind if you wish to be successful with your own SLAs.

Here are some positive and negative aspects of this case study to consider:

1. **Taking action.** The director decided to do *something*. He recognized and acknowledged that he had a problem, and was motivated to try to resolve it. That's a positive, despite the flaws in the method he selected to resolve it.

> **RECOMMENDATION:** When customers complain, don't ignore their complaints. Take steps to understand and resolve them.

2. **Reason for creating an SLA.** The director viewed an SLA as a way to stifle customer complaints. However, an SLA intended as a complaint-stopper cannot succeed, because it simply gives customers one more thing to complain about.

> **RECOMMENDATION:** Create an SLA to build a sound relationship between parties, not to suppress evidence of dissatisfaction with it.

3. **Method of creating the SLA.** The director had his staff write the agreement. The customers were not involved. When one party unilaterally develops an "agreement," it is unlikely that the other party will "agree" to it, particularly if it doesn't address the causes of their dissatisfaction. s

> **RECOMMENDATION:** The term "agreement" is too often used to describe the process of one party *telling* the other party how things will be done. One of the keys to a successful SLA is that both parties are involved in its creation. If it's not an agreement, don't call it an agreement.

RECOMMENDATIONS FROM THE CASE STUDY
(continued)

4. **An understanding of SLAs.** It is likely that the director's staff — and the director himself — is inexperienced in creating and managing an SLA. In such circumstances, SLAs are rarely completed, or if completed are rarely managed well. Because of his lack of familiarity with the complexity of the task, the director would probably hold his staff responsible for such an outcome, and fail to see that the problem was the approach he took to it.

> **RECOMMENDATION:** Before undertaking an agreement, be sure at least one party clearly understands what an SLA is, what it can realistically accomplish, and how to establish and manage it.

5. **Conducting a pilot.** Piloting an SLA with one's best customers can generate valuable feedback that will improve the agreement. But a successful pilot with the best customers does not ensure success when the agreement is used with dissatisfied customers. If a pilot is to be of value under realistic circumstances, it must be undertaken with a representative subset of customers.

> **RECOMMENDATION:** In creating an SLA, a pilot is optional, but if you prefer to conduct one, seek feedback from a representative sampling of the customers it will be used with.

If it's not an agreement,

don't call it an agreement.

WHAT A SERVICE LEVEL AGREEMENT IS

A service level agreement is a formal negotiated agreement which helps to identify expectations, clarify responsibilities, and facilitate communication between two parties, typically a service provider and its customers. As such, it is:

✓ **A communication tool**

A properly established SLA fosters improved communication between the two parties. Furthermore, the very process of *establishing* an SLA helps to strengthen communication, so that the parties come to better understand each others' needs, priorities, and concerns.

✓ **An expectations-managing mechanism**

Often it is not until it's too late that an organization realizes its expectations are not going to be met. The process of establishing an SLA facilitates the identification and discussion of expectations. As a result, the two parties achieve shared expectations about services and service delivery.

✓ **A conflict-reduction tool**

In the absence of a shared understanding about needs and priorities, conflicts can easily arise. An SLA, and the communication process involved in establishing it, helps to minimize the number and intensity of conflicts, and to more readily resolve those that do occur.

✓ **A living document**

The SLA acknowledges that changing circumstances may necessitate modifications to services, expectations, and responsibilities. Accordingly, it provides mechanisms for periodic review and modifications as warranted.

✓ **An objective process for gauging service effectiveness**

In the absence of an agreement, the parties may disagree about service adequacy. An SLA provides a consistent, ongoing and mutually agreed to basis for assessing and discussing service effectiveness.

WHAT A SERVICE LEVEL AGREEMENT IS *NOT*

An SLA is unlikely to succeed if undertaken as:

✗ **A mandate**

A service level agreement has a reduced probability of succeeding if ordered into existence, as was the case with the customer service director in the case study. When the decision to create an SLA is driven by a major restructuring (such as a reorganization, downsizing, the consolidation of services, or the transition to a shared services environment), extra care must be taken to involve and seek input from all pertinent parties.

✗ **A "get" strategy**

Attempting to *get* others to do things your way may make them feel coerced, and is likely to generate resistance and resentment. It is counterproductive to view an SLA as a way to *get* customers to stop complaining or to *get* service providers to deliver better service.

✗ **A complaint-stifling mechanism**

An SLA that attempts to stifle complaints rather than understand and resolve those complaints can actually trigger an *increase* in complaints. An SLA is not a club; it cannot be used to bludgeon the other party into conforming to some standard.

✗ **A unilateral decision-making process**

Trust cannot easily be built between two parties if one imposes decisions about how things "will be done." For an SLA to succeed, both parties must have a say in formulating it.

✗ **A quick fix**

Establishing an agreement is *not* a quick process. Attempting to rush it undermines the considerable value of that process in helping the parties to understand each other's perspective and build a strong relationship.

THE PARTIES TO AN AGREEMENT

Most service level agreements are between a service provider and its internal or external customers. For example, an SLA can be established:

	BETWEEN	AND
⇨	IT departments	Internal business units
⇨	A help desk	Internal business units
⇨	A human resources department	Corporate departments
⇨	A marketing department	Corporate departments
⇨	A facilities management group	Corporate departments
⇨	Administrative services departments	Corporate departments
⇨	A shared services group	Corporate departments
⇨	Providers of outsourced services	Client companies
⇨	Service vendors and suppliers	Client companies
⇨	Management consulting firms	Client companies

THE PARTIES TO AN AGREEMENT
(continued)

In addition, a service level agreement can be established between any two parties that must interact or cooperate to:

- Complete a task,
- Produce a result, or
- Support a third party

For example, an SLA can help to identify expectations, clarify responsibilities, and facilitate communication between:

	BETWEEN	AND
⇨	A customer service department	Departments responsible for the resolution of customer complaints
⇨	A human resources department	A payroll department
⇨	A technical support department	A training department
⇨	Level 1 support staff	Level 2 support staff
⇨	Telecommunications staff	Network management staff
⇨	A data center	A help desk
⇨	A quality support department	Computer services departments

At any given point, one of the above parties might be providing services to the other and is therefore the service provider, while the other is the service recipient or (in common parlance) the customer. Each may at different times be the provider of services *to* the other or the recipient of services *from* the other.

For an agreement between internal parties, some organizations prefer to use designations such as operational level agreement, customer service agreement, or document of understanding rather than service level agreement.

KEY PARTICIPANTS IN ESTABLISHING AN SLA

Who actually does the work of establishing an SLA?

SLA Managers. Typically, the primary work falls to the SLA Manager of each party. The SLA Manager is the person designated to direct the SLA effort on behalf of his/her organization.

For external SLAs (those between a service provider and its external customers):

The service provider and the customer organization each appoint one SLA Manager. Each such manager may single-handedly carry out SLA responsibilities, soliciting information from others in his/her organization as needed. Alternatively, each SLA Manager may head a team which participates in such tasks as gathering customer feedback, assessing service history, drafting service standards, and writing portions of the SLA documents.

For internal SLAs (those between service providers and internal business units):

An SLA may be established between multiple customer groups (such as the business units which are a Help Desk's customers) and/or multiple service provider groups (such as the IT departments which provide related services to internal business units). The multiple service provider groups or customer groups may each be represented by a single SLA Manager; alternatively, each service provider and customer group may designate its own SLA Manager.

The Role of Facilitator

Some organizations invite a facilitator to help the service provider and customer organizations establish the SLA. The role of facilitator may be undertaken by:

- A member of either the service provider or customer organization who is skilled in facilitation and experienced in establishing SLAs. As a member of one of the parties to the SLA, such individuals must have the respect of both parties, and must be able to function in an objective manner.

- (For internal SLAs) An employee from the Human Resources Department, a Quality Improvement Group, or other such groups who can facilitate the process or serve as an objective observer and guide.

- An independent consultant with SLA expertise, who can objectively facilitate the development process.

VARIATIONS IN SLA FOCUS

An SLA can focus on a specific service, technology, or customer, or a range of services, technologies or customers. It can be used locally or globally. The following examples illustrate some of these possibilities:

	FOCUS	EXAMPLES
1	Company-Wide	A Help Desk might create a single agreement regarding services for all of its client departments.
2	Customized Client-Specific	A Data Center Operations group might have a different agreement with each of its client departments.
3	Company-Wide and Client-Specific	An organization providing shared services might create an SLA with each client which includes general provisions pertaining to all clients, combined with customized provisions regarding issues unique to each client.
4	Service-Specific	A consulting firm might negotiate a different SLA for each service it delivers to its clients.
5	Platform-Specific	An outsourcing vendor might have one SLA with a client company for mainframe services and another SLA for mid-range services.
6	Location-Specific	Each regional office of a company might create its own agreement with its clients, customizing it to the issues unique to that region, state, country, etc.

WHY BOTHER? BENEFITS OF AN AGREEMENT

An SLA offers benefits to both providers and customers. If you need to persuade others of the value of an SLA, start by identifying what you hope to accomplish as a result of creating it, such as:

1. Improved provider understanding of customers' needs and priorities
2. Clearer customer expectations of provider capabilities
3. Increased customer ability to compete for limited provider resources
4. Consistency between parties in evaluating service effectiveness
5. A context for focusing on continuous improvements
6. A framework for assessing and improving customer satisfaction
7. A competitive edge over other providers that don't use agreements
8. Less time lost in resolving conflicts between the parties
9. Clarity among parties regarding roles, responsibilities and accountabilities
10. A basis for building trust, cooperation and partnership between the parties
11. A framework for making a business case for increased resources
12. Greater customer control over costs relative to services delivered
13. Increased opportunity for long-term supplier/customer relationships
14. Contribution to ISO9000 certification
15. Part of an overall process improvement effort

FIVE CATEGORIES OF BENEFITS

Another way to look at SLA benefits that may be helpful in selling the value of SLAs is to organize the benefits into categories, such as these five:

A. SLAs help to **improve communication** by

1. Creating an improved understanding between provider and customer
2. Facilitating increased sharing of important information
3. Providing timely feedback (and feedforward) about problems and needs
4. Reducing the number and intensity of complaints

B. SLAs help to **manage expectations** by

1. Clarifying the scope of services and the division of responsibilities
2. Providing a context for realistic and reasonable expectations
3. Creating a shared language
4. Establishing priorities and service levels

C. SLAs help to **improve service delivery** by

1. Providing an objective basis for assessing service effectiveness
2. Facilitating the setting of performance thresholds
3. Providing a context for service changes
4. Providing a basis for continuous improvement

D. SLAs help to **strengthen relationships** by

1. Helping providers and customers make contact
2. Fostering a customer orientation
3. Often reversing troubled relationships
4. Conveying to service recipients that you're paying attention

E. SLAs help to **create a business orientation** by

1. Providing a link between services and business objectives
2. Facilitating the integration of new service offerings
3. Creating cost/performance accountabilities
4. Creating awareness of cost/benefit tradeoffs

THE ROLE OF THE SLA IN REDUCING UNCERTAINTY

The following service issues are among those you may want to address in your SLA:

1. Hours of operation
2. Problem/request acknowledgment
3. Problem resolution
4. Status notification
5. Recovery time
6. Service availability
7. Turnaround time for delivery
8. Planned downtime
9. Escalation procedures
10. Emergency procedures
11. Response time
12. Number of rings of the phone before answering

Note that all these service issues revolve around the matter of uncertainty. That is, when customers are dissatisfied with the service they receive, their dissatisfaction often stems from some uncertainty about that service.

For example, customers often wonder:

- How long will it take for my problem to be resolved?
- How do I know they received my message?
- What level of consistency or predictability in service delivery can I expect?
- When will service be restored?
- Whom do I contact if I'm dissatisfied with the service I am receiving?
- What level of service can I expect during evening hours?
- What is the status of the project they are carrying out for me?
- How will I know when service has been resumed?

A successful SLA focuses on information that helps to reduce or avoid customer uncertainty.

HOW LONG SHOULD AN SLA BE?

SLAs vary from one page to more than 100. Consider the following issues:

Too short:

Extremely brief SLAs (just a few pages) often lack important information. An SLA that is missing any of the Service Elements or Management Elements described in Chapters 4 or 5 is too short, no matter what its length.

Too long:

Extremely long SLAs (100 pages or more) are often overly detailed; their very length makes them off-putting and hard to read. When legal requirements necessitate a lengthy document, it is advisable to present purely legal provisions separately from service information, so that those interested in the latter can locate it and read it.

Just right:

A service level agreement should be as long as it must be and as short as it can be. SLAs 10 to 50 pages long are not unusual. The longer it is, the more important it is to focus on structure, clarity and readability.

In evaluating an existing or draft SLA, ask whether it includes all the information it should, while omitting information that is unnecessary, redundant, excessively detailed, or readily available elsewhere.

HOW LONG SHOULD AN SLA TAKE TO ESTABLISH?

Not surprisingly, this is one of the questions most frequently asked about SLAs.

Too short:

A major misconception about SLAs is that they can be created in a week. However, developing an SLA quickly is both difficult and inadvisable. It is difficult because of the workload involved. It is inadvisable because the process entails the two parties meeting, talking, learning more about each other's context, and building the foundation for a long-term relationship. To rush this process is to sabotage the entire effort.

Too long:

In this context, "too long" means the process has gotten bogged down because of such things as a lack of understanding of how to establish the SLA or the absence of a serious commitment to the effort. Before initiating an SLA effort, be sure you appreciate the effort involved and have both the time and the know-how to proceed.

Just right:

Establishing an SLA is typically a many-month process of information-gathering, analyzing, documenting, educating, negotiating, and consensus-building. The duration of the effort depends on the complexity of the service environment, the proximity of the parties, the span of impact of the SLA, the relationship between the parties, and the experience of the SLA developers.

Although it is difficult to estimate how long the process will take, 3 to 6 months is a good rule of thumb, with three months for relatively straightforward SLAs and six months for more complex situations. In certain situations, six months may prove too short; however, if you have not made substantial progress within three months and the effort lacks a reasonable momentum, it would be advisable to discontinue the effort and determine what's holding it back. Otherwise, you might end up devoting time and resources to an effort that's likely to fail.

Despite this rule of thumb of 3 to 6 months, you may be able to create your own SLAs in less than 3 months. And whatever amount of time the first SLA takes, the experience you've gained and processes you've created make it likely that you will be able to create subsequent SLAs in less time.

HOW LONG SHOULD AN SLA REMAIN IN EFFECT?

Occasionally, I see SLAs that describe a starting and ending date, often with a review required within a certain time period before the ending date and renewal subject to agreement by the parties involved.

However, although this approach is appropriate in contractual SLAs (those that are part of a legal contract), it rarely makes sense in internal SLAs. In the internal context, it is more appropriate to view the SLA an ongoing agreement that will remain in effect indefinitely unless certain circumstances arise that justify its termination.

Such circumstances might include, for example:

Termination of the services described in the SLA. If the provider discontinues the services described in the SLA, there is no reason for its continued existence and both parties can be released of any responsibilities described in the SLA, subject to any specifically identified that would need to continue following the termination of the services (such as assistance by the provider in helping customers transition the services to another provider).

Termination of the relationship between the parties to the SLA. If the parties agree to terminate their relationship, the SLA ceases to function as soon as the parties agree that its use can be terminated.

A large-scale reorganization that invalidates existing SLAs. When a company undergoes a major reorganization, it may be possible to adapt existing SLAs to the new relationships. Often, however, it's easier to terminate existing SLAs and start over, drawing from the existing SLAs to the extent feasible. Even when SLAs may not require substantial revision to accommodate the reorganization, parties to the new relationship may prefer to negotiate their own SLAs rather than be held to the terms of SLAs that preceded those relationships.

An SLA that is part of a legal contract may articulate in detail the conditions, such as those above and others, that would warrant termination of the contract. Internal SLAs less often include language about SLA termination, although it's fine to do so.

Regardless of conditions warranting termination of an SLA, it is always advisable to conduct an in-depth review of the SLA annually with an eye to making adjustments as agreed to by all pertinent parties.

WHEN *NOT* TO ESTABLISH AN SLA

It may be inappropriate or counterproductive to attempt to establish an SLA if you are facing:

1. A relationship problem	If the relationship between the parties is troubled, attempts to establish an SLA may backfire. Under such circumstances, it may be preferable first to try to understand the other party's perspective, address some immediate problems, and develop a plan to improve the long-term relationship. Establishing an SLA would be part of this long-tem plan.
2. A communication problem	For example, if the service provider has not adequately described its offerings, customers may use services inappropriately. What is needed in this case may be not an SLA, but improved service information. Preparing and documenting service offerings is part of establishing an SLA, and therefore a stepping-stone if an SLA is subsequently desired.
3. An organizational problem	For example, service staff may be confused about overlapping responsibilities. This situation calls for not an SLA, but improved clarity about the division of responsibilities within the service organization.
4. A resource problem	For example, one or both parties may be unwilling to dedicate staff to the SLA process. Establishing an SLA is neither a simple nor a casual process. In the absence of dedicated (though not necessarily full-time) staff to establish and manage an SLA, the SLA is unlikely to be completed.
5. A know-how problem	For example, when neither party adequately understands how to establish an SLA, efforts to do so usually falter, and often, are eventually halted and deemed a failure. A failed SLA effort can make dissatisfied customers even more dissatisfied. When appropriate, the use of outside expertise can help to expedite the process and to ensure it is successfully carried out.

HOW TO MAKE AN SLA FAIL!

Many factors can account for an SLA either never reaching completion or becoming operational but functioning ineffectively. However, the following factors stand out as ones to particularly guard again. These factors are described in detail throughout this handbook, and are stated here as well for emphasis.

For a detailed examination of why SLAs fail, see my guide, **Why SLAs Fail and How to Make Yours Succeed**. Details: www.nkarten.com/book2.html.

1. **Use of the SLA as a weapon**

   Service providers sometimes want to create an SLA to suppress customer complaints; however, customers will see such an SLA as just one more thing to complain about. Conversely, customers sometimes want to use an SLA as a club with which to bludgeon the service provider whenever service slips, as though each such blow will motivate them to deliver better service. For an SLA to succeed, both parties must view it not as a “gotcha,” but a tool designed to manage expectations, improve communications, clarify responsibilities and strengthen relationships.

2. **Confusion between the SLA document and the SLA process**

   Establishing an effective SLA requires *much* more than simply filling in the blanks of an SLA template or modifying a sample agreement. The process of communicating and building the foundation for a win-win relationship is essential to the success of the SLA. When this process works, the resulting document is secondary. If this relationship is lacking, even the best-written document will be worthless.

3. **Holding unrealistic expectation about how long it will take to establish**

   The assumption that creating an SLA is a start-today, done-tomorrow process is a very common misconception. It’s difficult to develop an SLA quickly because of the workload involved in such tasks as negotiating service standards, establishing tracking mechanisms, designing reports, documenting procedures, and generating buy-in. The process is designed to help the two parties build the foundation for a strong, successful, long-term relationship. To rush this process is to sabotage the entire effort.

HOW TO MAKE AN SLA FAIL!
(continued)

4. **Omitting the management elements of the agreement**

   An SLA requires both service elements (the services provided and the conditions of service delivery) and management elements (service tracking and reporting, periodic service reviews, and the process for making changes to the SLA). Both service and management elements are necessary if an SLA is to be effective; yet the management elements are often lacking. The result is not an SLA, but a statement of services that cannot be expected to function as an SLA.

5. **Creating the agreement unilaterally**

   Both parties must be involved in the formulation of an SLA. If one party attempts to control the process, members of the other party may resist its provisions even if they might otherwise support them. Although it may not be feasible for both parties to collaborate on every aspect of the SLA development, the overall process must be one in which both parties have some say. If it's not an agreement, don't call it an agreement!

6. **Misunderstanding the development process**

   Establishing an SLA is a process of information-gathering, analyzing, documenting, educating, negotiating, and consensus-building. If SLA developers lack familiarity with this process, it sometimes hobbles along and never reaches completion. Some managers initiate an SLA development process enthusiastically and with good intentions, but conclude, sometimes after several months of unproductive attempts, that they didn't really know how to go about it.

7. **Neglecting to manage the implemented agreement**

   A common misconception is that once the SLA document is complete, the job is done. Unfortunately, an SLA that is not managed dies upon implementation. Managing the SLA entails such things as ongoing communications about service delivery, reassessing service standards, tracking and reporting key performance indicators, holding periodic service review meetings, and overseeing pertinent service modifications.

REMEMBER THE HUMAN FACTOR

In the chapters that follow, you will be reviewing steps and tasks and pieces and parts: impersonal guidelines, in other words. But it's important to remember that SLAs are about people. An agreement is not just a piece of paper or a file posted on a website. It's an understanding between individuals or groups who are striving to work together effectively. And an awareness that SLAs are about people, not procedures, is a critical key to success.

Keep in mind that for individuals (and organizations) that have not previously used SLAs, they represent a change in the way work is carried out. That's not a trivial matter. Change upsets the relative stability of whatever came before. Almost any change — or even just a rumor of a coming change —can create some anxiety and turbulence, as people wonder, "What does it mean for me?"

Here is what's important to understand about this state of anxiety and turbulence: It's perfectly normal. It's human. It's how people react to change. Major change is a felt experience, and people may very well react emotionally than logically and rationally, at least initially.

Therefore, it's unreasonable to introduce a change, SLAs or any other, and expect everyone to instantly adjust. Some people will, but many won't, and wishing that it were otherwise won't make it so.

However, how you communicate with those affected can significantly reduce the duration and intensity of that turbulence. Therefore, in implementing SLAs:

- Accept that a certain amount of pushback is inevitable.
- Keep people informed about what's happening, doing your best to stay ahead of the rumor mill.
- Treat the old way with respect, recognizing that it was a place of relative familiarity and comfort.
- Acknowledge the turbulence people are experiencing and listen to and empathize with their concerns.
- Acknowledge progress and even small successes.
- Build trust so that those affected will be open to your ideas and advice.

My eBook, **Changing How You Communicate During Change**, offers ideas and advice for successfully introducing — and coping with — change. Details: **www.nkarten.com/changeguide.html**.

CHAPTER 2:

THE SLA DOCUMENT AND PROCESS AT A GLANCE

Chapter Overview:

This chapter highlights key aspects of the SLA document and development process in order to set the stage for the detailed information in later chapters.

In particular, this chapter:

1. Provides a context for understanding the SLA elements described in Chapters 4 and 5.

2. Summarizes the SLA process described in Chapters 7 and 8 so that you have some understanding of the process as you read about the elements.

3. Describes the relationship between the SLA document and the process of establishing the SLA.

THE SLA DOCUMENT vs. THE SLA PROCESS

The Misconception:

People who are given responsibility for developing an SLA often assume that the job consists primarily of filling in the blanks in an SLA template or modifying a sample SLA to suit their situation. It logically follows that the faster they can fill in the blanks, the faster the job will be done.

The Reality:

This fill-in-the-blank mindset results from confusing the SLA document with the process by which that document is established. The process of having the two parties meet, talk, negotiate, discuss, develop understanding, build trust, and over time, jointly develop the SLA is far more important than the document that emerges from that process.

In fact:

- Creating an SLA rapidly by modifying the terms of a sample agreement may do the parties a disservice by depriving them of the opportunity to use the process to strengthen their relationship.
- The *more* effective the process, the *less* important the SLA document, because the parties have developed the ability to work together effectively and to resolve conflicts amicably.
- Conversely, if parties to an agreement keep referring to the document to support contentions about the other party's shortcomings, such behavior usually indicates insufficient attention given to the process.
- An SLA document needs certain elements to be complete, but a structurally complete document is not necessarily a successful SLA.

In short, do *NOT* confuse the SLA document with the process by which that document is established. Creating an *effective* SLA requires much more than *simply* filling in the blanks of a model agreement or modifying a sample agreement.

THE KEY ELEMENTS OF AN SLA DOCUMENT

To be effective, a service level agreement must contain the following six elements. Other elements may prove helpful, but these six are minimum requirements:

1. Context-setting information	**4.** Service tracking and reporting
2. Description of services	**5.** Periodic review
3. Service standards	**6.** Change process

These six elements are actually subsets of two broad categories:

- **The Service Elements**, which describes the service context and the terms and conditions of service delivery.
- **The Management Elements**, which describe the steps the two parties will take to assess service effectiveness and resolve any problems that may arise.

It would be more precise, therefore, to show the six elements as follows:

Service Elements (Chapter 4)	**Management Elements (Chapter 5)**
1. Context-setting information	**1.** Service tracking and reporting
2. Description of services	**2.** Periodic review
3. Service standards	**3.** Change process

Both the Service Elements and the Management Elements are critical to SLA success. In establishing an SLA, organizations often focus primarily on the Service Elements and overlook the Management Elements. When an SLA does not function as the parties had hoped, the problem is often that it is missing some or all of the Management Elements.

THE FUNCTIONS OF THE KEY ELEMENTS

1. **Context-Setting Information** includes the purpose and scope of the agreement, the parties to the agreement, and assumptions underlying the agreement.

2. **Description of Services** focuses on the services provided, as well as the services *not* provided if customers might assume the availability of such services.

3. **Service Standards** ensure that both parties share a common understanding about the timeframes and conditions under which the stated services will be provided.

4. **Service Tracking and Reporting** identifies how service effectiveness will be assessed and communicated.

5. **Periodic Review** ensures ongoing communication between the two parties and formal systematic attention to service adequacy.

6. **Change Process** provides formal mechanisms for modifying the agreement to address changing service needs and priorities.

The Service Elements are described in detail in Chapter 4 and the Management Elements in Chapter 5.

In addition to the above, many SLAs include one or more appendices or attachments. See page 2.8 for examples of information that is often placed in an appendix.

A TEMPLATE OUTLINE

This template outline presents the elements listed on the previous page, but this time with the supporting detail. The chapters that follow elaborate on these elements.

I. Context-Setting Information

- ✓ Cover page
- ✓ Table of contents
- ✓ Summary
- ✓ Parties to the agreement
- ✓ Purpose of the SLA
- ✓ Scope of the SLA
- ✓ Glossary of key terms
- ✓ Related documents
- ✓ Signatures and date

II. Service Information

A. Description of Services

1. The environment for which services are being provided
2. The services covered by the SLA, including such information as:
    - Service description
    - Benefits
    - Service availability
    - How to obtain the service
    - Prerequisites
    - Contact information
    - Financial information
    - References
3. Services *not* covered by the SLA, if customers might reasonably assume the availability of these services

A TEMPLATE OUTLINE (cont.)

B. Service Standards
Service standards generally revolve around, but are not limited to:

1. Availability
2. Responsiveness
3. Timeliness
4. Rate/frequency
5. Quality

and may include:

a. Business impact
b. Priorities
c. Urgency or severity levels
d. Variations in service delivery under different circumstances
e. Service exceptions
f. Service dependencies
g. Definitions of service terminology
h. Provider and customer responsibilities

C. Service Tracking
1. Tracking of objective measures
2. Tracking of subjective perceptions

D. Service Reporting
1. Reports to be generated
2. Party responsible for generating each report
3. Report recipients
4. Frequency and schedule of reports
5. Report medium
6. Aspects of the reported information of particular interest

III. Management Information

A. Periodic Review
1. Review objectives
2. Review frequency

A TEMPLATE OUTLINE (cont.)

III. Management Information (cont.)

B. Change Process
1. Conditions warranting change
2. Change frequency
3. Change procedures
4. Change log

C. Problem Resolution
1. Escalation paths
2. Problem management

IV. Appendices

1. Pricing/cost/budget information
2. Additional service details
3. Product information
4. Glossary of service definitions
5. Contact information
6. Diagrams
7. Change log
8. Holiday list

Possible Additional SLA Sections

1. Targets for service improvement
2. Consequences of failure to meet service standards
3. Rewards or bonuses
4. Renegotiation procedures
5. Termination of the SLA

My eBook, **An SLA Template and How to Use It**, pulls together into a single concise guide all the items in the above template outline, along with explanations of each. Details: www.nkarten.com/book2.html.

WHAT TO PLACE IN AN APPENDIX

Certain information may more properly be located in an appendix or attachment rather than in the body of the SLA. For example, information you may want to place in an appendix includes:

- ✓ **Pricing/cost/budget information:** It is appropriate to include pricing data in an appendix if services span countries and regions that use different money systems and different pricing. In such situations, it may take several charts to present all pertinent information.
- ✓ **Additional service details:** If service details beyond a brief description are likely to be of interest to only a few people, an appendix is the appropriate location for the additional details. In addition, service information of a complex nature, such as algorithms and technical explanations, is best located in an appendix so as not to bog down the body of the SLA with details that most readers may not need.
- ✓ **Product information:** For example, IT SLAs often place detailed tables of supported hardware and software in appendices.
- ✓ **Glossary of service definitions:** Organizations that don't locate a glossary up front in the SLA generally place it in an appendix.
- ✓ **Contact information:** This is a list of phone numbers, email addresses, and other relevant contact information for those with SLA and other service-related responsibilities.
- ✓ **Diagrams:** These diagrams can be helpful in providing a detailed visual image of selected processes, such as Call Flow Diagrams.
- ✓ **Problem management process:** For example, a Help Desk might describe its process for call handling, problem diagnosis and resolution, priority-setting, and urgency classification.
- ✓ **Change log:** This log, updated with each change to the SLA, records the date of the change, a brief description, optionally the reason for the change, and initials of those who approved or authorized the change.
- ✓ **Holiday list:** This list is important If different service conditions pertain during holiday and non-holiday periods. This list is especially important for SLAs that span geographic boundaries.

POSSIBLE ADDITIONAL SLA SECTIONS

As noted at the end of the Template Outline, an SLA may include additional sections. For example, you might want to include information that addresses issues that are unique to your environment or service context or are important in ensuring a solid understanding between the parties.

Other sections that some organizations include in their SLAs are these:

1. **Targets for service improvement:** This section, which documents improvements that customers or providers would like, facilitates using the SLA as a vehicle for continuous improvement. Listing an improvement in the SLA sets the stage for identifying benefits, evaluating what's involved in achieving the improvement, assessing costs and impact, and clarifying responsibilities for implementing the improvement and managing it.

2. **Consequences of failure to meet service standards:** This information defines "failure to meet" (such as a deviation of a specified amount below the service commitment or a pattern of below-standard service delivery over a specified period of time) and the financial, management or other consequences of such a failure.

3. **Rewards or bonuses:** Some SLAs that describe penalties or consequences for failing to meet service standards also describe rewards or bonuses for service delivery that exceeds those standards.

4. **Renegotiation procedures:** For SLAs that have a specified term (typically one to five years), this section describes the timeframe and process by which renegotiation of the SLA will take place.

5. **Termination of the SLA:** As living documents, most SLAs continue indefinitely until certain specified conditions occur, such as termination of the services addressed in the SLA, termination of the relationship between the parties to the SLA, or a large-scale reorganization that invalidates existing SLAs. If desired, this section can document such conditions.

In addition to these sections, it is appropriate to include any others that will help providers and customers communicate service expectations, build understanding, and clarify responsibilities.

ELEMENTS OF A CONTRACTUAL AGREEMENT

If you are creating an SLA as a legal contract or as part of a legal contract, it is imperative that you involve the appropriate legal authorities in its creation.

> **BEWARE:** Any agreement, whether written or verbal, which reflects the intent of both parties and includes an offer, an acceptance and payment for agreed upon services, *may* be considered a legal, enforceable contract in a court of law.

In addition to the elements described in Chapters 4 and 5, contractual SLAs may include some or all of the following provisions. Some of these provisions may also be of interest for non-contractual agreements, particularly those that involve payment for services.

- ❐ **Terms of Service Delivery**, such as use of subcontractors, failure to execute, and claim for compensation
- ❐ **Accountabilities,** such as for errors, outages and failure to deliver
- ❐ **Incentives**, rewards and penalties, shared risks and rewards
- ❐ **Remedies**, such as penalties or damages for inadequate performance or quality
- ❐ **Dispute Resolution**: how disputes and complaints will be resolved
- ❐ **Pricing Issues:** pricing structures (services covered in basic price, services and situations that will incur additional charges, etc.), terms of payment, etc.
- ❐ **Termination**, such as for cause, convenience, or failure to perform; processes for terminating the agreement and transferring responsibility

ELEMENTS OF A CONTRACTUAL AGREEMENT
(continued)

- ❒ **Personnel Issues**: staffing assignments, methods of and commitments to maintaining staff competence, restrictions on hiring the other party's staff

- ❒ **Definitions**, especially for terms likely to have different meanings to different individuals, such as bug vs. enhancement, uptime, failure, recovery, response time, turnaround and quality.

- ❒ **Changes**: how changes to services and service levels will be initiated and implemented, how changes triggered by new requirements or business growth will be handled

- ❒ **Disaster Recovery:** capabilities, conditions, obligations

- ❒ **Ownership/Control Issues**, such as who owns equipment or applications, who is responsible for upgrades, who controls the manner in which services are delivered, and options for third-party involvement

- ❒ **Communications**: lines of communication, points of contact, conditions of access between parties, extent and method of sharing insider business information between parties

- ❒ **Security:** provisions for ensuring the integrity of data or other pertinent information, preventing unauthorized access, providing adequate backup facilities and capabilities, providing system redundancy

- ❒ **Confidentiality:** conditions or guarantees regarding the confidentiality of tangible property, code, or proprietary information

THE SLA PROCESS IN BRIEF

No two organizations establish an SLA in exactly the same way. The steps they follow and the sequence of those steps varies with their circumstances.

Nevertheless, experience has shown that certain steps are critical to a successful SLA; conversely, analysis of SLAs that have failed often reveals that these steps were omitted or ignored.

Critical Initial Steps (Chapter 7)

1. Assess Whether an SLA is Appropriate.
2. Ensure Management Commitment.
3. Designate SLA Managers.
4. Provide SLA Education.

Development Checklist (Chapter 8)

1. Assess Current Services.
2. Gather Customer Feedback.
3. Ensure Agreement about the Agreement.
4. Develop a Draft SLA.
5. Solicit Feedback from Reviewers.
6. Implement and Manage the Agreement.

The next two pages summarize the Critical Initial Steps and the Development Checklist.

SLA PROCESS: CRITICAL INITIAL STEPS

The following four steps are prerequisites both to a smooth and expeditious SLA development effort and to an effective SLA. If these prerequisites are met, the probability of a successful development effort is greatly enhanced. Conversely, if these prerequisites cannot be met, it may be wise to temporarily terminate the SLA effort before undue time and expense have been invested.

1. Assess whether an SLA is appropriate.	If an SLA is the wrong solution to the problem or need, the effort will be, at best, an unnecessary drain on resources with perhaps some positive outcome. At worst, however, not only will it not solve the problem at hand; it may worsen it and damage the relationship between the parties.
2. Ensure management commitment.	This commitment gives the effort credibility, ensures support of service changes that may be deemed necessary, and communicates that the agreement is important and is to be taken seriously.
3. Designate SLA managers.	Establishing an SLA is not a process that can be carried out casually or as an afterthought. It requires capable, knowledgeable, dedicated staff to lead the effort of establishing the SLA and to manage it after it has been implemented.
4. Provide SLA education.	Often, members of one or both parties are unfamiliar with SLAs. In the absence of SLA education, these individuals may misunderstand the objectives and benefits of the SLA, and as a result, withhold their cooperation, display resistance during SLA development, or refuse to support the completed agreement.

SLA PROCESS: DEVELOPMENT CHECKLIST

1. Assess current services.	Before making commitments to customers, service providers should determine the level of service they can realistically provide. And before eliciting commitments from service providers, customers should review and clarify their service needs and priorities.
2. Gather customer feedback.	Such feedback helps the provider understand the customers' concerns and provides a baseline against which to assess customer satisfaction after SLA implementation.
3. Ensure agreement about the agreement.	The parties to an agreement often have different, and sometimes conflicting, views about SLAs. It is important to ensure that both parties agree on what an SLA is and what it can accomplish.
4. Develop the agreement.	This is but one step in establishing an SLA; it is *not* the entire process. It includes establishing ground rules for the development process, creating a structure for the SLA document, and collaboratively creating a draft agreement.
5. Solicit feedback from reviewers.	Key members of both parties should have an opportunity to review the draft, raise questions, and offer suggestions. This step is important in gaining the support, cooperation and buy-in of these individuals.
6. Implement and manage the agreement.	These steps includes identifying and completing pre-implementation tasks, running a pilot if desired, implementing the SLA, and carrying out the responsibilities of managing it.

CHAPTER 3:

EXERCISE 1:
EVALUATE A SAMPLE AGREEMENT

Chapter Overview

Whether you are developing a new SLA or reviewing an existing one, it's useful to gain a perspective of what goes into a typical SLA — including some of the common flaws. This chapter presents a service level agreement for you to critique as a first step in gaining that perspective. This agreement is designed to:

1. Provide a context for understanding the SLA elements described in Chapters 4 and 5.

2. Shed light on some of the common flaws in SLA documents.

3. Help you anticipate and prepare for differences in viewpoint among individuals with whom you'll be establishing an SLA.

4. Provide some experience in reviewing an SLA, so that you can become skilled in identifying the positives or negatives in your own SLAs.

5. Help you develop evaluation criteria for use in reviewing your own SLAs.

HOW TO EVALUATE THIS AGREEMENT

***NOTE**: The Agreement in this chapter is intended for instructional purposes only. As written, it would be inappropriate and ineffective for use in your company.*

This Agreement is between two departments of a company, the Client Services Group and the Marketing Department. Although the services described in this SLA may differ from your own, your reactions to the organization and presentation of information will be helpful in planning your own SLA.

Following this SLA are some comments about it. If your schedule permits, review this SLA before looking at those comments, and consider these questions:

1. What is your overall reaction to this agreement?

2. What, specifically, do you like or dislike about it?

3. What would you describe as its strengths and flaws?

4. What criteria seem important in evaluating this SLA?

5. If you are able to review this SLA with others who will participate in your SLA effort, what aspects of this SLA generated differences in viewpoint?

SAMPLE AGREEMENT - Page 1 of 5

SERVICE LEVEL AGREEMENT

between

The Client Services Group and The Marketing Department

I. OBJECTIVES AND BENEFITS

This agreement represents the joint efforts of the Client Services Department and the Marketing Department, in order to create a shared understanding about

- the services the Client Services Department will and will not provide
- the level of services the Marketing Department can reasonably expect
- any priorities that may be pertinent
- how we will resolve any conflicts that arise regarding the specified services
- what each department can do to maximize service effectiveness

We believe this agreement will help us manage our respective workloads, communicate more effectively, and quickly resolve any service problems that arise.

II. SERVICES

A. This agreement pertains to the delivery of the following services:

1. PC training

Including: All hardware, software and electronic mail training for Unix and Windows platforms

Excluding: Macintosh training other than operating system training (OS X only)
Excluding: Application-specific training

SAMPLE AGREEMENT - Page 2 of 5

2. **Help desk support**

Including: Assistance in the use of approved hardware and software. See the Approved Products List in the Help Desk Service Guide.

Excluding: Assistance in the use of products other than those on the Approved Products List.

NOTE that Client Services discourages, but does not prohibit, the use of these non-approved products. However, requests for assistance with such products will be given low priority and assistance may be <u>delayed</u> or <u>unavailable</u>.

Excluding: Selection, purchase and installation of application software. The Marketing Department is responsible for selecting, purchasing and installing its own application software, as outlined in the Standards Manual posted at [URL of internal website].

Excluding: Responses to inquiries regarding the status of production operations. For such information, contact the Data Center at x3654 or at [email address]

3. **Hardware selection and acquisition**

Including: Configuration planning, ordering, and installation of PC and network equipment.

Excluding: Selection or acquisition of non-PC equipment. Please see the Standards Manual for equipment specifically excluded and whom to contact for the purchase and installation of such equipment.

4. **Development support**

Including: Problem analysis, application design, and development troubleshooting.

Excluding: Application development. Such development is outside the scope of Client Services. Requests for development should follow the procedures outlined in the Development Guidelines handbook posted at [URL of internal website].

SAMPLE AGREEMENT - Page 3 of 5

III. SERVICE STANDARDS

A. PC Training

Requests for training must be submitted to Client Services at [email address]. Client Services will notify Marketing within 48 hours of receipt either to confirm registration or to state when the next available class is scheduled.

B. PC Hardware Outages

Temporary replacement equipment will be provided for all reported hardware malfunctions that cannot be resolved within 8 business hours.

Marketing will be notified at least 72 hours in advance of any planned network shutdowns that will affect the Department.

C. Help Desk

Client Services will attempt to answer all calls by the third ring and to acknowledge all voice mail messages within one hour of receipt.

Client Services will respond to problems reported by the Marketing Department in the order in which they are received, unless Marketing management specifically requests a different sequence.

D. Planning

To enable Client Services to allocate resources effectively, Marketing will notify Client Services quarterly of upcoming needs that may require unusual or greater-than-normal attention.

If an unplanned Marketing need arises that requires immediate attention, Marketing will identify existing efforts that Client Services can defer in order to give priority attention to the newer need.

SAMPLE AGREEMENT - Page 4 of 5

IV. URGENCY LEVELS

These levels have been established to ensure that problems reported by the Marketing Dept. receive adequate and timely attention based on business impact. The Marketing Dept. will assign urgency levels to the problems it reports.

Urgency Level	Action
Urgency Level 1	Critical work of the Marketing Dept. cannot continue until the problem is resolved. Work on other problems which have a lesser urgency will be temporarily discontinued, if necessary, so that resources can be allocated to the resolution of this problem.
Urgency Level 2	Work can continue temporarily, but resolution within 4 hours is necessary.
Urgency Level 3	Work can continue using a work-around or manual alternative; resolution is desirable within 72 hours.
Urgency Level 4	Work can continue indefinitely.

V. REPORTING

The Client Services Department will issue to the Marketing Department a monthly report documenting:

- Breakdown of time allocated per service as outlined in Section II
- Training summary, including courses taken and course needs not met
- Help desk statistics, including
  - Number of calls received and breakdown by urgency level
  - Breakdown of calls by problem type (as defined in the Help Desk Services Guide)
  - Problem resolution time by call type
- Requests for temporary replacement equipment by type and reason
- Service problems, concerns or recommendations not included in the above

SAMPLE AGREEMENT - Page 5 of 5

VI. PROBLEM RESOLUTION

Both departments will be assumed to find the performance of the other acceptable under this agreement, unless exceptions are specifically communicated.

Managers will determine whether reported problems require immediate action or can be deferred till a quarterly meeting.

VII. PERIODIC REVIEW

1. Quarterly meetings will be held to review and, if necessary, make modifications to the agreement concerning:

- Problems currently affecting service delivery
- The adequacy of current service standards
- Issues that may affect the delivery of future services
- Any concerns requiring this agreement as currently stated

2. A full review of the agreement will be undertaken annually in order to ensure that it continues to meet the needs of both departments.

We encourage both departments to use this agreement in a spirit of cooperation.

____________________________ ____________________________

Director, Client Services Dept. Director, Marketing Dept.

____________________________ ____________________________

Date Date

OBSERVATIONS ABOUT THIS AGREEMENT

This SLA provides a good illustration of flaws that often appear in an SLA. Nevertheless, this SLA is has many strengths, and the comments below will highlight both flaws and strengths.

Note that when several people review the same SLA, it is not unusual for them to have different, and sometimes contrary, reactions to various aspects of it, and such differences have certainly occurred with this SLA. Part of the challenge of establishing an SLA is to merge and mesh the differing viewpoints so as to create a document that represents the shared views of both parties.

The following comments, which are representative of those frequently offered by participants in my SLA seminars (referred to below as “reviewers”), highlight some of these differences in viewpoint. Each of these comments points to an issue to keep in mind in formulating your own SLA. Chapters 4 and 5 present additional information on these topics.

1. **Structure**

   Many reviewers have described this SLA as clear and well-structured. Some reviewers, however, find that the clarity they sensed upon first looking at the SLA vanished as they attempted to read it. Some reviewers suggest that a table of contents would help in providing an overview of the contents.

   > ***In reviewing your own SLA, ask:*** Is it structured so as to be easy to follow, particularly for those who have not participated in establishing the SLA?

2. **Organization**

   Many reviewers consider this SLA well-organized. Some, however, find the flow of information cumbersome, and would prefer to have the service standards (Section III) described in conjunction with each pertinent service. These reviewers complain that stating all the services in one section and all the standards in another section results in too much flipping back and forth to make the connection between related information.

OBSERVATIONS ABOUT THIS AGREEMENT
(continued)

In reviewing your own SLA, ask: Are the sections of the SLA logically organized so that readers can readily make sense of the contents?

3. Readability

Most reviewers find this SLA easy to read, with helpful design features such as a large-enough size font and wide margins. However, many reviewers point out that the information would be easier to absorb if more of it were presented in a visual format, such as through the use of charts and tables. Section IV, for example, might be easier to grasp in a table format.

In reviewing your own SLA, ask: Is it designed so as to be easy to read, particularly for those who will be accountable for following the provisions of the SLA?

4. Tone

Some reviewers feel that Section I (Objectives and Benefits) and the closing statement communicate a tone of cooperation and collaboration, but that the remaining sections don't convey a similar tone. Some reviewers find that the tone starts as collaborative and gradually becomes pushy and one-sided. Other reviewers question whether the tone in Section I and in the closing statement is sincere, or whether the wording is intended to convey a sense of cooperation that the two parties haven't really experienced.

In reviewing your own SLA, ask: What tone does it convey? Is it the tone we want it to convey? What unintended reaction might readers of the SLA have regarding the tone?

OBSERVATIONS ABOUT THIS AGREEMENT
(continued)

5. Service inclusions and exclusions

Some reviewers like detailed descriptions of service exclusions, with each service specifying both what is and is not included (Section IIA). Other reviewers find the exclusions information cumbersome and caution that describing exclusions can be risky, since customers might assume that any service not specifically excluded is *included*. Many reviewers comment that the emphasis on exclusions conveys a negative tone, and suggest that where services are excluded, information should be provided on where customers might obtain such services.

> ***In reviewing your own SLA, ask:*** Have service inclusions and exclusions been adequately described? Could the wording lead to misunderstanding regarding what services are actually included?

6. Precision of language

Many reviewers find the service standards (Section III) too vague, and prefer more precision and more detail. Other reviewers find the standards reasonable; they prefer to keep the language of the SLA general and open-ended, unless circumstances warrant otherwise. This difference in viewpoint may reflect differences in management philosophy, and is sometimes one of the most hotly debated issues among participants in my SLA seminars.

> ***In reviewing your own SLA, ask:*** Have service standards been described with an appropriate level of precision?

7. Consistency

Most reviewers agree that this SLA lacks consistency from one section to the next: The service standards in Section III don't clearly relate to the services in Section II, and the reporting section (Section IV) doesn't follow from the service standards.

OBSERVATIONS ABOUT THIS AGREEMENT
(continued)

> ***In reviewing your own SLA, ask:*** Does the information in each section of the SLA logically follow from those that precede it? Can the information in the various sections be easily mapped from one to the other?

8. Urgency levels

Some reviewers question why this information is included in the SLA since it is likely to be a subset of the Help Desk Service Guide referred to in the SLA. Other reviewers believe that if this item is viewed as important enough to emphasize, then it is appropriate to include it in the SLA, even if it repeats information documented elsewhere.

> ***In reviewing your own SLA, ask:*** Is the SLA overly focused on procedures? Are these procedures already documented elsewhere — and if not, can they be documented elsewhere, so as to keep the SLA from becoming overly detailed?

9. Problem resolution

Most reviewers like the idea of a Problem Resolution section (Section V), but many express concern about the approach taken in this SLA: The parties will assume that performance has been acceptable unless exceptions are specifically communicated. Since periodic review meetings are to be held only quarterly (Section VI), many problems could become exacerbated due to lack of timely attention.

> ***In reviewing your own SLA, ask:*** If the SLA includes problem resolution provisions, are they adequate and appropriate? Do they ensure that important problems will receive timely attention?

OBSERVATIONS ABOUT THIS AGREEMENT
(continued)

10. Overall reaction

Some reviewers describe this SLA as a good starting point and a document with potential. Others declare it mushy and wishy-washy.

> ***In reviewing your own SLA, ask:*** What is my overall reaction to this SLA? What reactions might it trigger in those who have not participated in its creation?

SLA EVALUATION: AN IMPORTANT CAVEAT

How did your own reactions to this sample SLA compare to those cited in these last few pages? When you evaluate another organization's SLA, you generally lack information about the process that led to the SLA document. And that fact leads to an important caveat:

> If an SLA works for the organizations involved — that is, if the process of developing the SLA strengthened their relationship and its use has delivered the desired benefits — then for those organizations, it is a successful SLA. You, as an external reviewer, may find fault with it relative to your own circumstances and preferences. However, you cannot reasonably judge the effectiveness of an SLA based solely on a review of the SLA document.

Nevertheless, it is easy for those directly involved in developing SLAs to be so close to them that they miss gaps, errors and inconsistencies that are apparent to outside reviewers. Therefore, if you are called on to evaluate an SLA created by another organization or another part of your own organization, it is perfectly appropriate to point out potential weaknesses and to suggest ways to strengthen the SLA.

My eBook, **How to Critique and Strengthen Your Service Level Agreements**, offers a comprehensive look at factors and criteria to keep in mind in evaluating your SLAs. Details: www.nkarten.com/book2.html.

EVALUATION CRITERIA

Drawing from this sample SLA, here are some criteria for evaluating your own SLAs. Think about other readability and content criteria you can add to those below, as well as other categories of criteria you might find helpful. In addition to using the resulting criteria list yourself, provide it as a guide for anyone from whom you seek feedback on your SLAs.

1. **Readability**

   a. Appearance: clean, pleasing type style and type size, professional looking

   b. Length: neither too short nor too long for its purpose

   c. Structure: easy to comprehend organization and sequence of information

   d. Clarity: information understandable, all jargon or ambiguous terminology appropriately explained, understandable by all appropriate members of both parties

   e. Consistency of language: similarity of language throughout

2. **Content**

   a. Completeness: no gaps in information or omission of key items

   b. Level of detail: adequately detailed for its purpose, but not too detailed

   c. Boundaries: scope/constraints adequately covered

   d. Representation: both parties appropriately represented

   e. Tone: emphasis on the positive, language of collaboration

CHAPTER 4:

THE SERVICE ELEMENTS

OF AN SLA

Chapter Overview

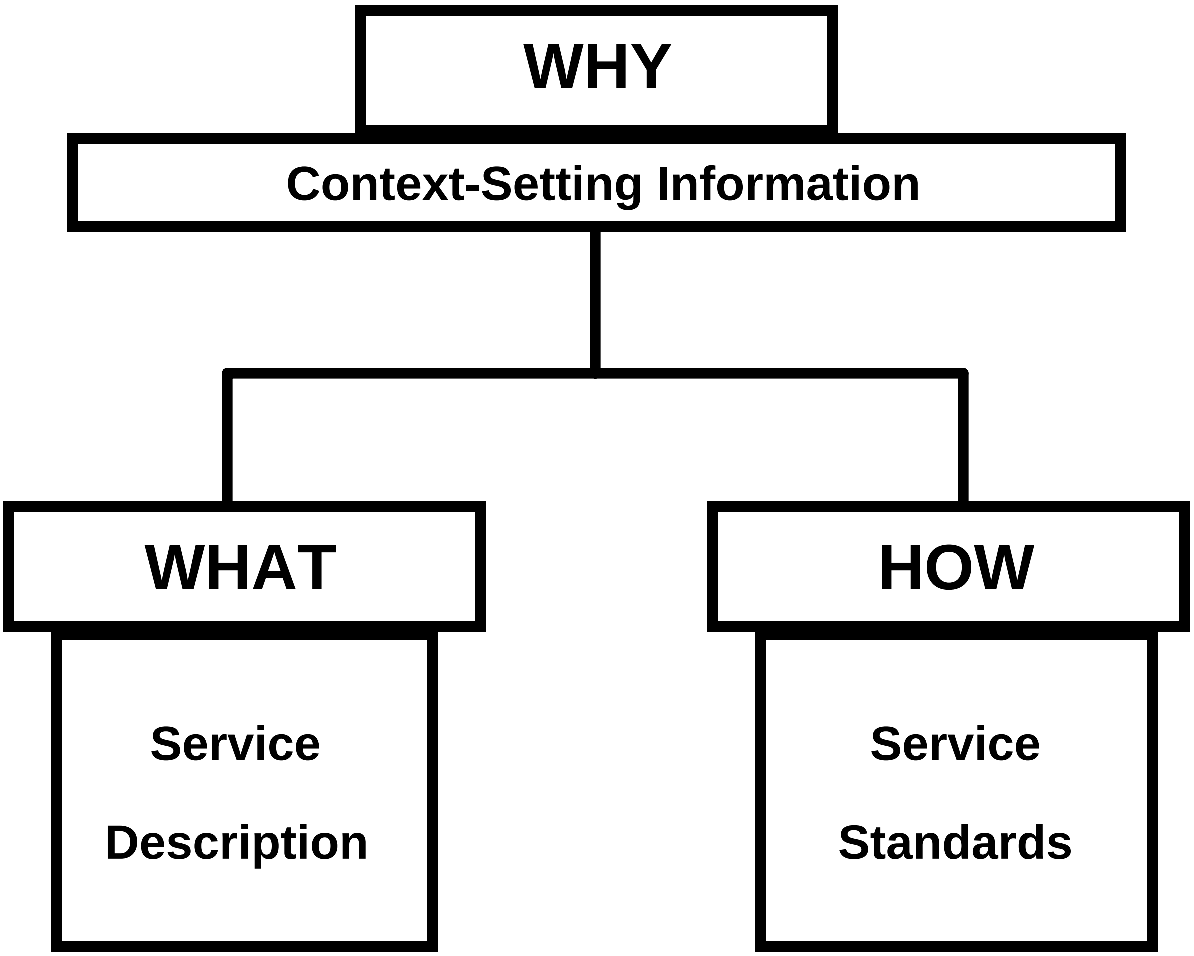
This chapter provides detailed information about the three key Service Elements of an SLA: Context-Setting Information, Description of Services, and Service Standards. Included in this chapter are:

1. Numerous examples taken or adapted from actual SLAs.

2. Questions and checklists to guide you in preparing these elements for your own SLA.

3. Detailed analysis of two service standards to provide a perspective of key issues to consider in formulating your own service standards,

OVERVIEW OF THE SERVICE ELEMENTS



As described above, the three Service Elements present the Why, What and How of the agreement. That is,

- **Context-Setting Information** sets the stage with some basic information.
- **Service Description** describes the services that are the basis for the SLA.
- **Service Standards** explains the timeframes and conditions under which the stated services will be delivered.

SERVICE ELEMENT #1: CONTEXT-SETTING INFORMATION

➔ **1.** **Context-Setting Information**
2. Description of Services
3. Service Standards

Context-Setting Information sets the stage for an understanding of the agreement. The following context-setting items can be combined or rearranged as you wish.

✓ **Cover Page**

I recommend that signatures of approving authorities appear on the cover page to confer credibility and communicate the importance of the agreement. The SLA is typically signed by the highest level provider and customer individuals who are sponsoring or backing the effort. Many organizations also include signatures of the provider and customer individuals who headed the effort to create the SLA.

✓ **Table of Contents**

Create a table of contents (TOC) so that readers can quickly locate information of interest. The TOC also provides an overview of the structure and contents of the document. SLAs are most readable when divided into sections, each of which is listed in the TOC.

✓ **Summary**

If the SLA is long, provide a summary as a concise overview of its contents. This summary is particularly valuable to people who want to get an idea of what the SLA is about without delving into the details.

✓ **Parties to the Agreement**

Identify the parties to the SLA and the titles of the individuals or groups responsible for managing the SLA. It is advisable to list contact information in an appendix so that you don't need to continually revise the body of the SLA when phone numbers, email addresses, etc. change.

In general, locate information in an appendix if it is of an administrative nature or subject to frequent change, so that changes to the body of the SLA can be limited to those issues driven by significant business, service or technological factors.

SERVICE ELEMENT #1: CONTEXT-SETTING INFORMATION
(continued)

➔ **1.** **<u>Context-Setting Information</u>**
2. Description of Services
3. Service Standards

✓ Purpose of the SLA

Use this section to state the objectives of the SLA, what it is intended to accomplish, or how the parties will benefit from it. This section can also be used to set the tone for the SLA by conveying a spirit of cooperation among the parties to the SLA.

Example:

The aim of this Service Level Agreement is to provide a clear and concise picture of the procedures and responsibilities that contribute towards the management of [Provider's] service. The SLA includes those actions and information required from both [Provider] and [Customer] to ensure that [Provider] is able to provide the offered level of service and that [Customer] is able to support its own customer base.

✓ Scope of the SLA

Include such information as:

- The general set of services the SLA addresses, such as network management services, HR services, or financial services
- Key points about the service recipients, such as that services are being provided only to corporate headquarters, specific regions, or customer divisions that have implemented certain enterprise software capabilities
- Important assumptions or constraints, such as the number of employees for whom services will be delivered, the anticipated growth in the number of products supported, or the hiring freeze that limits the size of the provider staff. For SLAs that span time zones, this section can indicate the time zone indicated by clock times specified.

SERVICE ELEMENT #1: CONTEXT-SETTING INFORMATION
(continued)

➔ 1. **Context-Setting Information**
2. Description of Services
3. Service Standards

✓ Glossary of Key Terms

Define important terms whose definition remains constant throughout the SLA, such as company-specific terms, technology terms, and organizational acronyms, as well as potentially ambiguous service terminology such as outage, reliability, timeliness and defects. Terminology with service-specific can be defined as part of the sections pertaining to those services. In web-based SLAs, the first appearance of terms defined in the glossary can be formatted as links to the definitions.

✓ Related Documents

List any printed or electronic documents that provide supporting information and relevant policies and procedures, and indicate where or how these documents may be obtained. Documents often listed in this section include:

- Forms and procedures for requesting the services described in the SLA
- Forms and procedures for ordering equipment and material
- Policy documents
- Pricing information
- Documentation standards

Organizations that post their SLAs and other organizational documents on their internal websites can simply create links from each SLA to these related documents.

✓ Signatures and Date

Provide a place on the cover (or other location of your choice) for signatures and date of signing. Changes to the SLA after the initial signing do not require the cover page to be signed again. Generally, such changes are made through the Change Process and documented in a change log, which typically appears in an appendix.

EXAMPLES OF CONTEXT-SETTING INFORMATION

➔ **1.** **<u>Context-Setting Information</u>**
2. Description of Services
3. Service Standards

Examples from the opening statements of SLAs:

Example 1:

This service agreement represents the mutual understanding of the Technical Support Division and the Client Community about

- technical support services which clients may reasonably expect,
- the conditions under which those services are available, and
- how we can work together to ensure the effective service delivery.

Example 2:

This Service Level Agreement has been created to detail the services provided by the Quality Support Department to the rest of the Systems Organization, and to specify the criteria which are met when doing so.

Example 3:

The purpose of this Service Level Agreement is to describe the relationship between [Customer] and [Provider] regarding work to be carried out on [Project XYZ]. It is the intention of both parties that this SLA should enable a clear understanding of the level of service to be provided, the cost, the mechanisms for amending the agreement, the monitoring arrangements, and how the agreement will be enforced.

Example 4:

This Service Level Agreement is intended to be used in conjunction with [XYZ] services in order to demonstrate the partnership between [Customer] and [Provider]. This document sets forth the expectations and responsibilities of both parties in ensuring effectively service delivery.

SERVICE ELEMENT #2: DESCRIPTION OF SERVICES

1. Context-Setting Information
2. ➔ **Description of Services**
3. Service Standards

The Description of Services focuses on:

1. **THE ENVIRONMENT FOR WHICH SERVICES ARE BEING PROVIDED.**

   State any facts about the customer's business that would help to explain the SLA, such as the regulatory nature of the banking industry, the critical importance of accuracy in financial reporting, or the need for rapid problem resolution.

2. **The services covered by the SLA**

   Information might include:

   - **Service list:** Provide a concise list of services, limiting detail to a paragraph or two per service. Additional detail, if necessary, can appear in an appendix.

     If service information already exists elsewhere, the SLA can simply summarize it and refer to the supporting documents. If a corporate intranet stores service documents, this information can be made available through a link.

     Some IT organizations divide their services list into broad categories, such as Standard Service Offerings (for example, Network and Infrastructure Services, Development Services, Application Maintenance, Hardware/Software Acquisition, Technical Support, etc.) and Nonstandard Services (for example, services that have one-time or short-term nature and/or are required to satisfy unique customer needs).

   - **Service availability:** State the standard hours of availability, as well as any periods of extended or reduced availability, such as weekends or holidays.

   - **How to obtain the service:** Identify any forms customers must submit or procedures they must follow to request the service or gain access to it.

   - **Prerequisites:** Describe any activities or requirements that must be fulfilled before requesting or using the service.

SERVICE ELEMENT #2: DESCRIPTION OF SERVICES
(continued)

1. Context-Setting Information
➔ 2. **Description of Services**
3. Service Standards

3. **THE SERVICES *NOT* COVERED**, if customers might reasonably assume the availability of services, such as:

- **Services outside the Provider's control:** This might include services offered by other internal or external parties, such as external telecom providers.
- **Organizational changes:** If certain Finance Department services have been moved into a shared services organization, this section of a Finance SLA can clarify which Finance services are not included.
- **Services not offered:** If customers might reasonably expect certain services to be offered or, in the past, customers have repeatedly requested services which the provider doesn't offer, this section can identify those services and indicate where they may be obtained.
- **Termination of service offerings:** If certain previously available services are no longer offered, this section can document those services.

If desired, organize service description information as a chart, such as the following, which might appear in an HR SLA:

Employee Training and Development				
Description: Evaluate and respond to training requests, identify training needs, select and manage vendors, and arrange and coordinate classes				
Benefits: One-stop shopping for corporate training needs				
Excluding: IT training is coordinated and arranged by IT Training, X5842				
Availability	How to obtain	Prerequisites	Contact info	References
8:00-5:00 M-F	Submit HR Form 12-546	See specific courses for pertinent prerequisites	Training manager, X5932	Policies & Procedures Manual, Section V

DO YOU HAVE A SERVICE DESCRIPTION?

1. Context-Setting Information
➔ 2. **<u>Description of Services</u>**
3. Service Standards

Many service providers have never prepared a service description either for their customers or for internal use. When they attempt to do so, they often find many differences of opinion among themselves about their services and responsibilities.

Therefore, the process of documenting services is not just an important starting point in an SLA effort; it is also a worthwhile exercise for any service organization.

If you are a service provider, questions that might help in preparing or reassessing your service description include:

1. What business are we in?
2. What is our mission?
3. Who are our customers?
4. How do we want our customers to perceive us?
5. How do we distinguish ourselves from our competitors?
6. What are 3 to 5 key points that we want current and prospective customers to understand about our company or our services?
7. What information do we currently disseminate to our customers, and how successful are we in doing so?
8. In what ways might current or prospective customers be confused or unclear about our services?
9. Did the above questions generate any important differences of opinion, and if so, what are we going to do about it?

IS YOUR SERVICE DESCRIPTION CLEAR?

1. Context-Setting Information
2. ➔ **Description of Services**
3. Service Standards

Customers who misunderstand a provider's services may misuse those services, or make unreasonable or unrealistic requests for assistance. Misunderstandings are likely not only when the provider has never created a service description, but also when an existing description is unclear or incomplete.

➨➨➨ Do *your* customers understand your services?
➨➨➨ If your answer is yes, are you sure?

For example, a Help Desk that was sure its customers understood its services conducted a customer survey which included the question:

Are you familiar with the services provided by the Help Desk?

Here are some of the responses.

- Not all of them.
- Better information could be provided.
- Familiar with basic service, but probably not all services provided.
- I assume we only call the Help Desk when we are in need of assistance.
- Most of them, maybe not all.

- Not sure what applications they support.
- It might not hurt to remind us.
- I know some of the services but obviously there are more.
- Not exactly!
- Know some, not all.

Before concluding that your customers clearly understand your services, ask them how they are currently using those services, what questions they have about your services, and what services not currently being provided would be helpful. You may discover you have some work to do.

SERVICE ELEMENT #3: SERVICE STANDARDS

1. Context-Setting Information
2. Description of Services
➔ 3. **Service Standards**

Service Standards are sets of information which describe

- Time frames within which services are to be provided
- Levels of responsiveness under different circumstances
- Service dependencies
- Service exceptions
- Escalation paths
- Division of responsibilities

Service standards ensure that parties to an SLA share a common understanding about the circumstances under which the stated services will be provided. As a result, all parties know what they can reasonably expect.

Some organizations use terms such as performance standards, key performance indicators (KPIs) or other terms instead of service standards. Use the terminology of your choice in your SLAs.

SERVICE STANDARDS FROM EVERYDAY LIFE

1. Context-Setting Information
2. Description of Services
➔ 3. **Service Standards**

Service-standard-like slogans for consumer products aptly illustrate how service standards can create clarity or (just as easily) cause confusion. For example, consider the following slogans, some of which you may recognize:

Mail order company -----------> Allow 30 days for delivery.

Overnight delivery service ---> Delivery by noon tomorrow.

Fast food restaurant ------------> Have it your way.

Department store ---------------> Return with receipt for a full refund, no questions asked.

Pizza shop ------------------------> Your pizza delivered in 30 minutes, or your order is free.

Appliance repair service ------> Call any time, 24 hours a day, 365 days a year.

Car repair --------------------------> Your muffler guaranteed for the life of your car.

What's positive and what's negative about these standards relative to SLAs?

See the next page for some answers.

SERVICE STANDARDS FROM EVERYDAY LIFE
(continued)

1. Context-Setting Information
2. Description of Services
3. ➔ **Service Standards**

What's positive and what's negative about the service standards on the previous page? Here are some possibilities:

Mail order company ------------> Allow 30 days for delivery.

This service standard is intended to protect the mail order company from delivery delays, by informing customers that in some cases, delivery may take 30 days. However, many customers read this standard to mean that delivery *will* take 30 days. Those who don't want to wait 30 days may take their business elsewhere — an outcome not likely to please the mail order company.

Recommendation: Be careful of the wording you use in your own service standards. Guard carefully against unintended negative connotations.

Overnight delivery service ---> Delivery by noon tomorrow.

This statement is concise and to the point. You know what to expect and when. However, some people have reacted to this standard by asking, "And what if they don't?" For some delivery services, the answer is "We'll refund your money," which is a highly dissatisfactory outcome for customers for whom delivery by noon tomorrow is essential.

Recommendation: Make sure you have confidence in the level of service you commit to if customers are going to count on that service level. Be prepared to offer some recourse for those instances in which delivery slips below that commitment.

SERVICE STANDARDS FROM EVERYDAY LIFE
(continued)

1. Context-Setting Information
2. Description of Services
3. ➔ **Service Standards**

Fast food restaurant ------------> Have it your way.

This service standard was designed to help the hamburger emporium display its flexibility, compared with the more limited range of choices offered by its competitors. In practice, however, this restaurant is willing for you to have it your way, only if your way conforms to one of the options they view as *their* way.

Recommendation: SLAs can unintentionally make promises that you didn't intend to make. Be sure to set appropriate constraints on service delivery, so that customers know what they can realistically expect.

Pizza shop -----------------------> Your pizza delivered in 30 minutes, or your order is free.

Customers may equate pizza that can be delivered this quickly with low quality pizza, and refrain from ordering from this pizza shop.

Recommendation: In formulating a service standards, ask what other messages it could be delivering that are other than what you intended.

A LESSON ABOUT THE RISKS OF SERVICE STANDARDS

1. Context-Setting Information
2. Description of Services
3. ➔ **Service Standards**

Let's take one more look at this last service standard:

Pizza shop ------------------------> Your pizza delivered in 30 minutes, or your order is free.

Service standards can backfire, and indeed this one did. An attempt to meet the 30-minute standard led to some reckless driving. Accidents occurred that resulted in pedestrian deaths.

This situation highlights a key risk of service standards, namely that:

Service Standards influence behavior, and not always in the manner intended.

Therefore, in establishing service standards, think carefully:

- What are our intentions for this service standard?
- How is it likely to influence behavior?
- How might it backfire by negatively influencing behavior or having an impact other than we intended?

FIVE CATEGORIES OF SERVICE STANDARDS

1. Context-Setting Information
2. Description of Services
3. ➔ **Service Standards**

In an SLA, service standards most often focus on issues of when, how long, how many, how soon, and how good:

1. **AVAILABILITY** focuses on when? For example:

➢ Personnel availability	What are the hours of operation during regular hours and off-hours, and during standard and non-standard circumstances?
➢ Application availability	During what hours will key applications be accessible to customers?
➢ Network availability	During what hours and what circumstances will the network be available to customers? What is the likely percentage of up-time?
➢ Service unavailability	Under what known or likely circumstances will service be unavailable?

2. **RESPONSIVENESS** focuses on how long? For example:

➢ Response time	How quickly will calls be answered under different conditions or urgency levels?
➢ Problem resolution time	How long will it take from the time a problem is reported until a solution is found?
➢ Recovery time	How long will it take to recover from an outage?
➢ Delivery time	How long after an order is placed will it be delivered?
➢ Acknowledgments	How long after a request is submitted will it be acknowledged?

FIVE CATEGORIES OF SERVICE STANDARDS
(continued)

1. Context-Setting Information
2. Description of Services
3. ➔ **Service Standards**

3. RATE or FREQUENCY focuses on how many? For example:

➢ Transactions processing rate	How many transactions will be processed per unit time?
➢ Transfer rate	What is the transfer rate of data through the network?
➢ Frequency of notification about status	How often will customers be notified about the status of the service or project?
➢ Frequency of access to status	How often will customers be able to access status information?

4. TIMELINESS focuses on how soon? For example:

➢ On-time delivery	What day or time will specified services be delivered under various conditions?
➢ On-time availability	What is the transfer rate of data through the network?
➢ Product completion	What guarantees will be provided about the on-time completion of specified products under development?

5. QUALITY focuses on how good? For example:

➢ Flaw-free products	What flaws will signify unacceptable quality?
➢ Defect rates	What guarantees will be made regarding freedom from defects?

EXAMPLES OF THE FIVE CATEGORIES

1. Context-Setting Information
2. Description of Services
3. ➔ **Service Standards**

	SERVICE STANDARD CATEGORY	EXAMPLES
1	Availability (when?)	We commit to 99% availability of the Inquiry Database between 8:00 am and 6:00 pm Monday-Friday, 95% availability between 6:00 pm and 8:00 am, and 92% availability at all other times.
2	Responsiveness (how long?)	Problems with A-level products will be addressed within one business day for $$$. Problems with B-level products will be addressed within two business days for $$. All other products will be addressed as resources permit for $.
3	Rate/frequency (how many?)	Transactions will be processed at an average rate of 4,000/hour during the peak hours of 10:00 am to 2:00 pm Monday-Friday.
4	Timeliness (how soon?)	Requests for changes submitted by Thursday at 3:00 pm with complete information and the required approvals will be completed by Friday at 5:00 pm.
5	Quality (how good?)	We will assure that output is controlled to prevent incomplete or defective output (such as illegible printing, skewed printing, or use of the wrong forms).

CAVEATS ABOUT SELECTING SERVICE STANDARDS

1. Context-Setting Information
2. Description of Services
➔ 3. **Service Standards**

KEY QUESTION: Which service standards should we have in our SLA?

KEY ANSWER: There is no one set of service standards that any given SLA must include. In deciding what service standards are appropriate for your SLA, ask:

- ✓ What aspects of the service delivery create the greatest amount of uncertainty for the customer?
- ✓ What aspects of the service delivery create the biggest challenges for the provider?
- ✓ What service standards will help the two parties know what they can reasonably expect from each other?

To determine which service standards are appropriate, the service provider and customer should discuss their service concerns and identify what standards will be helpful in improving and/or managing service effectiveness.

KEY CAVEATS: It is common to overcomplexify the SLA by creating more service standards than are useful. The best advice is <u>don't</u>.

- ✓ Keep the SLA as simple as possible. Create as few service standards as are needed so that the parties know what they can reasonably expect from the other.
- ✓ Start with just a few service standards. There is no need for a dozen service standards if three or four will suffice for now. You can always add more later on.
- ✓ For a service standard to be useful, conformance to it must be tracked and reported. If you don't know how to track it, or can't track it, or won't track it, omit it.

INGREDIENTS OF A SERVICE STANDARD

1. Context-Setting Information
2. Description of Services
➔ 3. **Service Standards**

In addition to the preceding information, your service standards should include any of the following items that you consider pertinent.

a. **Business impact of this service standard**: This item is optional, but can be useful if the standard supports critical business objectives, such as the need for rapid fraud detection or the financial consequences of service outages.

b. **Priorities**: Identify aspects of the service that require priority attention and that may, as a result, justify the relaxation of other service commitments. For example, fiscal year end financial reporting may take priority over certain other financial obligations and justify delayed completion of these other obligations.

c. **Urgency or severity levels**: If appropriate, classify problems into urgency or severity levels. For each level, describe the criteria for determining a problem's level (such as the number of customers affected or the impact on customers' ability to do their jobs), and specify the associated timeframes. For example:

Severity	Definition	Resolution Time
Critical	Situation prevents further work, and no workaround is available.	Within 4 hours
High	Urgent situation that must be resolved within 24 hours, but customer is able to continue working.	Within 1 business day
Low	Working with the problem is inconvenient, but not impossible.	Within 3 business days
Routine	Situation is commonplace within the normal course of business.	Estimated on a case-by-case basis

In conjunction with the definitions in this table, additional definitions or explanations may be needed, such as for "resolution" and "inconvenient."

It is difficult to devise severity level definitions that clearly cover all situations, so start simple and make adjustments as needed. The most important consideration is that genuinely urgent problems receive timely attention.

INGREDIENTS OF A SERVICE STANDARD
(continued)

1. Context-Setting Information
2. Description of Services
3. ➔ **Service Standards**

c. Urgency or severity levels (continued)

Generally, the provider (often the Help Desk) assigns the urgency level to a given problem based on available information, while allowing the customer to request escalation to a greater level of urgency. Thus, the SLA might state the following:

> "Customers who are dissatisfied with the severity level assigned to a problem may contact the Help Desk to negotiate a change in level."

d. Variations in service delivery under different circumstances. List any important variations that let customers make choices about the service levels they receive.

For example, consider four circumstances in which tiered service levels might be appropriate. (Note: the time frames below are strictly for illustration purposes):

➔ Faster service and greater cost for higher-priority services, such as:
- ❑ A-level services delivered within one business day for $$$
- ❑ B-level services delivered within five business days for $$
- ❑ C-level services delivered as quickly as resources permit for $

➔ Greater cost for faster response time for a specified service, such as:
- ❑ $$$ for delivery of Service A within one business day
- ❑ $$ for delivery of Service A within three business days
- ❑ $ for delivery of Service A within five business days

➔ Lower cost for slower response time for a specified service, such as:
- ❑ $$$ for standard, one-day turnaround of Service B
- ❑ $ if customer will accept five-day turnaround of Service B

➔ Greater cost for unscheduled service, such as:
- ❑ $ per unit for Service C processing during normal cycles
- ❑ $$ per unit if Service C processing is required outside normal cycles

ANALYSIS: SERVICE STANDARD #1

(continued)

1. Context-Setting Information
2. Description of Services
3. ➔ **Service Standards**

This service standard and the next one are designed to help you become aware of some of the subtleties about well-stated service standards.

As you read each one, see what concerns you about it. Then review the recommendations that follow it.

Service Standard for a Client Services Department

> The Client Services Department will respond to 90 percent of customer calls within 4 hours of receipt of the call. Priority will be given to customers whose departments have designated a PC coordinator as the first source of support for that department.

Recommendations:

- **Avoid service level gaps.** In specifying a four-hour response for 90% of calls, this service standard leaves customers uncertain about what they can expect for the remaining 10%. It is preferable to account for the full 100%. For example, you might commit to:

  1. Respond to 90% of calls within 4 hours
  2. Respond to 98% of calls within one business day
  3. Regularly inform customers of the status of the final 2%

ANALYSIS: SERVICE STANDARD #1
(continued)

1. Context-Setting Information
2. Description of Services
➔ 3. **Service Standards**

- **Create standards for times of unusual uncertainty.** This final 2% described in the previous recommendation concerns complex or unusual situations in which you can't commit to a service level because you don't know how long it will take. The best recourse in situations like that is to commit to providing information about the status of the situation, as described in the following service standard:

> During malfunctions whose duration is unknown, we will update clients every 30 minutes.
>
> We will inform clients of this schedule, and we will provide an update every 30 minutes even if there is no change in status.

- **Clarify terminology:** Does the term "respond" in this service standard refer to **acknowledging** the call or **resolving** the problem? Clearly, these two possibilities are very different. In addition, does "call" encompass problems **and** requests for information? Watch for potentially ambiguous terminology, and define terms to avoid misinterpretation and conflict.

- **Be careful in using service standards as an incentive.** The Client Services staff hoped to inspire customers to join the Department Coordinator program by offering a more responsive service level to those that did. However, while rewarding departments that participated, this standard could penalize the rest by imposing on them a lesser level of support service.

- **Link responsiveness to business value.** This service standard offers support on a first-come first-service basis, with no priority-setting based on the business impact of the problem being reported.

ANALYSIS: SERVICE STANDARD #2

Now consider this service standard:

Service Standard for a Network Management Group

We guarantee 99% up-time.

Recommendations:

- **Specify the pertinent time period.** The 99% service level is meaningless without stating the time period over which it is being calculated. A one-month time period is the most common, but any time period pertinent to the specific service is appropriate:

  We guarantee 99% . . . as measured over a calendar month.

- **Identify time periods excluded from the service commitment.** Is every minute in the calendar month to be included in the 99%? Or are some periods of known down-time to be excluded, such as for weekly maintenance? If so, describe them. See Service Exceptions, page 4.24, for more on this.

- **Use guarantees judiciously.** Perhaps there is no difference in intent between "We guarantee . . ." and "We will provide . . ." For some customers, however, "guarantee" suggests a more stringent adherence to the stated service level, and these customers may want to impose penalties for any slippage below the guaranteed service level.

- **Guard against ambiguous terminology.** What does up-time refer to? The network may be operational at the server, but "down" at the customer's terminal. From the customer's perspective, therefore, it's down. A service standard that does not reflect the customer's perspective is unlikely to be successful.

EXCERPTS FROM SERVICE STANDARDS

1. Context-Setting Information
2. Description of Services
3. ➔ **<u>Service Standards</u>**

The following excerpts from service standards offer additional language that may be pertinent.

Example 1:

There will be no more than 12 departures from the daily operational timetable (including late starts) measured over a period of 3 months.

Example 2:

[Service Provider] will conduct an initial meeting with [Customer] within two weeks of receipt of a request, in order to establish the requirements associated with the request and to agree upon a plan for its completion. In the event the two-week lead time is too long for [Customer], [Service Provider] will endeavor to meet [Customer's] required time frame, but cannot guarantee to meet it.

Example 3:

In the event of an environmental disaster, [Service Provider] will provide alternative accommodations at [location] within two hours.

SERVICE DEPENDENCIES AND EXAMPLES

1. Context-Setting Information
2. Description of Services
3. → **Service Standards**

Successful service delivery may depend on the support or cooperation of other parties. In creating service standards, you may wish to identify them and the role they play.

Example 1:

In order to respond to customer complaints within agreed upon time frames, all personnel who receive customer complaints must forward them to the Customer Service Department within one hour of receipt.

Example 2:

Delivery times may be constrained by supplier-driven shortages. In the event supplier shortages prevent us from meeting stated turnaround times, we will provide notification of delays and estimated delivery times.

SERVICE EXCEPTIONS

1. Context-Setting Information
2. Description of Services
3. ➔ **Service Standards**

Situations sometimes arise in which the service provider temporarily cannot deliver service at all or can deliver it only at reduced levels. It may be appropriate for the SLA to treat these departures from normal service as service exceptions, rather than service problems. They can then be excluded from the tracking of conformance to service standards.

An SLA often identifies service exceptions for such things as:

- **Temporary down-time**, such as for routine, regularly scheduled maintenance. To be acceptable as a service exception, this down-time must typically be confined to specified time periods and must not exceed agreed upon limits

- **Environmental conditions**, particularly those that are clearly outside the service provider's control. However, since the nature of such circumstances generally cannot be specified in advance, and since the customer may not be able to tolerate the resulting impact without serious financial consequences, the customer may reasonably request a contingency or disaster recovery plan. Such a plan will have its own service standards regarding timeframes and conditions for resumption of service, which may be referenced in the SLA.

- **Customer-caused problems**, such as those attributable to customer errors or failure of the customer to carry out agreed upon service-related responsibilities. Determining that a decline in service is due to such circumstances can be highly subjective.

By identifying these service exceptions in the SLA, members of both organizations can plan accordingly. Be careful, however, not to categorize too many different circumstances as service exceptions.

EXAMPLES OF SERVICE EXCEPTIONS

1. Context-Setting Information
2. Description of Services
3. **Service Standards** ➔

Example 1. Planned downtime:

Hardware maintenance will be conducted the first Sunday of each month between noon and 18.00 hours. During this period, network access will be unavailable. On-line reminders will be posted during the five business days preceding this scheduled downtime.

Example 2. Scheduling exceptions:

During national holidays, a reduced staff of two will provide coverage during evening hours.

Example 3. Customer error:

Outages caused by application errors in customer-developed systems will be excluded from assessments of [Service Provider's] service performance.

ESCALATION PATHS AND EXAMPLES

1. Context-Setting Information
2. Description of Services
3. **Service Standards** ➔

Two types of escalation paths may be appropriate to include:

- **Type 1**: An escalation path used in problem management to describe the successive levels of technical or management attention that a problem will receive in order to ensure expeditious resolution.

  Example:

  Problems which cannot be resolved by Level 1 staff within one hour of the customer's call will be escalated to Level 2 staff.

  Level 1 staff will immediately forward to Level 2 staff any problem which requires expertise not available within Level 1 or the use of products not supported by Level 1.

- **Type 2:** An escalation path that describes the successive levels of personnel that either party can contact if dissatisfied with the progress of problem resolution. Frequent recourse to this type of escalation path generally indicates a break-down in the problem-solving process.

  Example:

  Project managers will escalate to their respective management any problem or concern not satisfactorily addressed within 3 days.

DIVISION OF RESPONSIBILITIES

1. Context-Setting Information
2. Description of Services
➔ 3. **Service Standards**

This information states each party's key responsibilities (the things each must do) to ensure that services are delivered at the specified levels.

Descriptions of responsibilities typically include such things as:

- ✓ Information, material, etc. that each must supply by specified dates
- ✓ Activities that must be completed by certain dates or in accordance with specified guidelines before designated processes can be carried out
- ✓ Education that each party must provide to members of its own organization or to the other party
- ✓ Steps to ensure the expeditious resolution of service-related problems
- ✓ Responsibilities associated with managing the SLA, such as tracking conformance to a given service standard, participating in quarterly review meetings, and providing notifications of revisions to the SLA

Note:

Some organizations prefer to list all responsibilities associated with a given service in a single section, rather than listing these responsibilities separately for each service standard.

Some organizations prefer to divide responsibilities into those associated with service delivery and those associated with managing the SLA.

EXAMPLES OF DIVISION OF RESPONSIBILITIES

1. Context-Setting Information
2. Description of Services
➔ 3. **Service Standards**

Example 1:

[Service Provider] Responsibilities

[Service Provider] will subject all changes to the operation environment, systems or the service to standard change control procedures.

[Service Provider] will maintain procedures to ensure the confidentiality of all data belonging to the [Customer].

[Customer] Responsibilities

[Customer] will provide [Service Provider] with reasonable forecasts of capacity requirements every July and in the interim when new business requirements become known which may result in changes in service demand.

[Customer] will promptly report service deficiencies to the Help Desk and, if necessary, assign relative priorities.

Example 2:

Statement of Responsibility	Responsible Individual/Group
Installations should be completed in 3-5 working days.	
Where a component is found to be faulty, a replacement must be installed within 48 hours, excluding weekends and public holidays.	

REAL-TIME SERVICE STANDARDS

1. Context-Setting Information
2. Description of Services
3. ➔ **Service Standards**

Communicate early and often:

- **Remind customers about service standards:**

  Even if service standards have been established and communicated, customers may be unaware of them or may have forgotten them. Therefore, while working with customers, the service provider should inform them of the pertinent service standard.

  For example, if a service standard states that callers will be notified of the status of their reported problem within 24 hours of their call, a service provider can remind them of this time period during the call, such as by saying:

  > "We'll review your problem, and let you know the status within the next 24 hours."

- **Inform customers about what they can expect:**

  Even if formal service standards have never been established, a wise service provider uses every reasonable opportunity to ensure that customers understand what they can expect and what is expected of them. For example:

  > "I'll be happy to help you with this problem. It would help speed up the process if you would . . . "

  > "It will take up to a week to resolve this problem, but I'll contact you daily to let you know the status. I'd appreciate the name of someone else I can speak to if you're not available."

CHAPTER 5:

THE MANAGEMENT ELEMENTS OF AN SLA

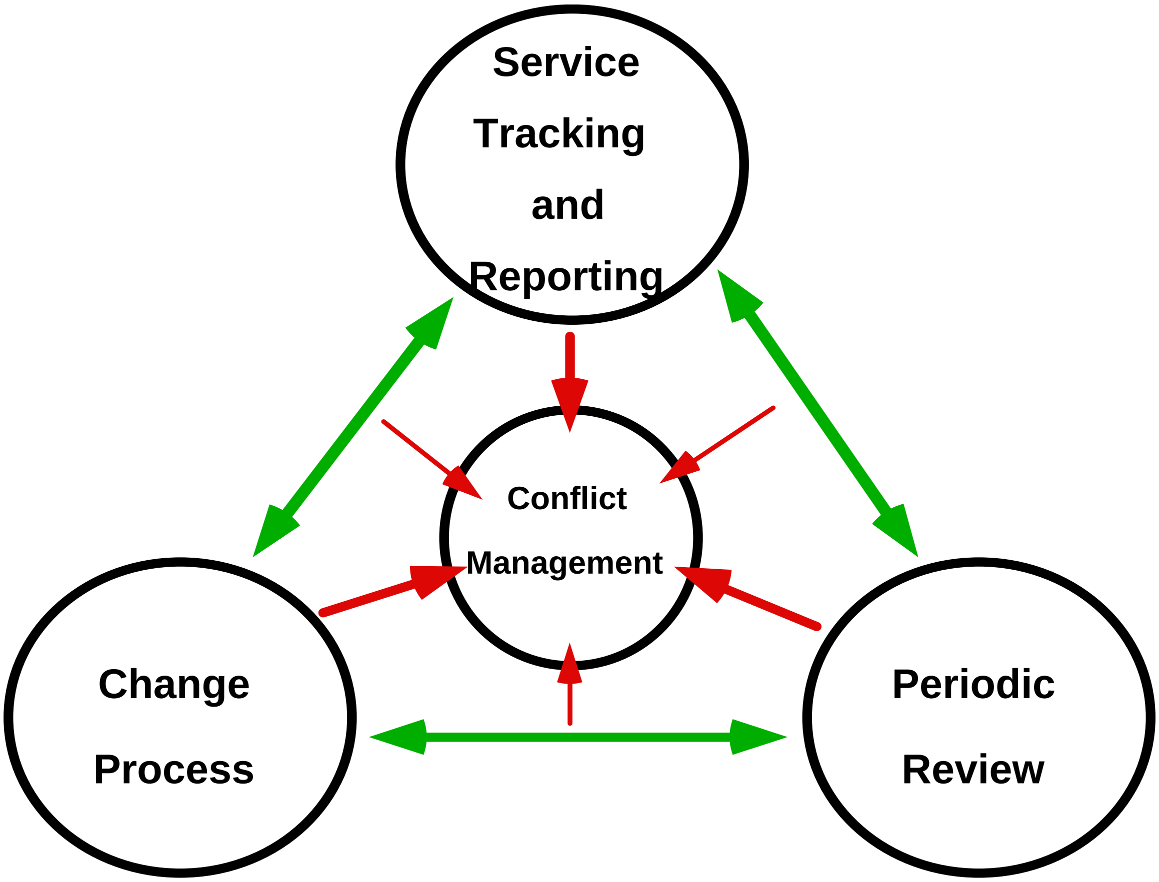
Chapter Overview

This chapter provides detailed information about the key Management Elements of an SLA: Service Tracking and Reporting, Periodic Review, and Change Management. Included in this chapter are:

1. Numerous examples of these elements.

2. Issues to consider and questions to ask in planning these elements.

OVERVIEW OF THE MANAGEMENT ELEMENTS



The 3 key Management Elements, as noted above, are:

- Service Tracking and Reporting
- Periodic Review
- Change Process

Each of the three elements influences the other two, and together, the three contribute to improved service effectiveness.

A common flaw in SLAs is the omission of the Management Elements. However, these elements minimize conflict and strengthen relationships by ensuring that service delivery is tracked, reported, and regularly and objectively assessed.

MANAGEMENT ELEMENT #1: SERVICE TRACKING & REPORTING

➔ 1. **Service Tracking and Reporting**
2. Periodic Review
3. Change Process

Service tracking focuses on the collection of service data in order to assess service effectiveness. When service data is collected and reviewed, problems in service delivery tend to be identified and addressed before they escalate into crises.

Service reporting focuses on when and how service data will be reported and acted on.

In the absence of an SLA, many organizations experience problems related to service tracking and reporting such as the following:

- Service tracking is not done and the service provider and its customers have different, and often conflicting, impressions of service adequacy.
- Service tracking is entirely carried out by the provider, and reflects the provider's perspective of what is important, not the customer's.
- Service data is collected, but not reported.
- Service data is reported but not to all pertinent parties.
- Service data reveals problems, but no action is taken to resolve the problems.

The SLA helps to prevent these problems by incorporating provisions for service tracking and reporting.

WHAT TO TRACK: OBJECTIVE MEASURES

➔ 1. **Service Tracking and Reporting**
2. Periodic Review
3. Change Process

Service tracking should focus on both objective measurements and subjective perceptions. Addressing either while omitting the other results in a restricted and often flawed view of customer satisfaction.

Objective, quantitative measurements reflect what is — that is, actual service delivery — by focusing on performance data (or KPI's — key performance indicators) generated by automated or manual measuring tools. The measures selected may vary with the services provided.

Examples:

- Average amount of time per month to acknowledge service requests
- Average amount of time per quarter to resolve reported problems
- Number of instances per month in which exception handling was provided
- Number and duration of delays per month in turnaround time for a given service
- Number of instances per quarter in which service following an outage was (or was not) restored within specified time frames
- Percentage of minutes of up-time per month relative to the total number of available minutes
- Percentage of reported problems resolved in a single call
- Percentage of requests addressed within specified time limits
- Percentage of problems that require a customer call back

To simplify the tracking process, focus on exceptions; that is, situations in which service is *not* delivered at the levels specified in the service standards.

WHAT TO TRACK: SUBJECTIVE PERCEPTIONS

➔ 1. **Service Tracking and Reporting**
2. Periodic Review
3. Change Process

Subjective, qualitative perceptions reflect what is perceived — that is, how customers perceive the service they have received — which may differ from what is and is at least as important in creating customer satisfaction.

Customer research reveals that for many customers, the determining factor in customer satisfaction is how they feel they've been treated. This finding suggests that excellent performance according to objective indicators doesn't necessarily reflect customer satisfaction.

It is important, therefore, to supplement objective measures by tracking customer perceptions of such service staff attributes as:

cooperation	availability	attitude
empathy	patience	competence

Whereas the objective measures may vary according to the specific service provided, these subjective indicators are important for all providers.

In tracking subjective indicators, try to use a mix of feedback-gathering methods, such as:

- Periodic customer surveys, which can be used to gather data from a large number of customers at one time
- Service-specific assessment forms, which permit customers to rate service they have recently received
- Customer interviews, which provide the opportunity for in-depth open-ended feedback
- Evaluation of complaints, which can help to quickly identify and resolve problems before they grow.

FOCUS ON PATTERNS OF SERVICE DELIVERY

➔ **1. Service Tracking and Reporting**
2. Periodic Review
3. Change Process

Service data representing a point in time or a single time period may not be indicative of whether service is adequate or in need of improvement. That is, whether the data suggest that service delivery has been excellent or substandard, it is impossible to know whether this outcome was a one-time occurrence or part of a pattern of service delivery.

Therefore, in selecting objective, quantitative measures, think about how you can use those measures to track patterns of service delivery and to quickly isolate both pertinent and unacceptable variations. You may find it helpful to identify questions that these measures will help you answer, such as:

- ✓ How has response time varied during the last 6 months?
- ✓ Is this month's percentage of downtime consistent with past months, or is it an aberration? If the latter, what accounts for it?
- ✓ Does on-time delivery show seasonal variations?
- ✓ What kinds of problems have taken the greatest amount of time to resolve in the last three months?
- ✓ How do the number of call disconnects per hour vary over the course of the day?

RECOMMENDATIONS FOR SERVICE TRACKING

➔ **1.** **Service Tracking and Reporting**
2. Periodic Review
3. Change Process

Don't spend more time tracking than in delivering the services being tracked.

- **Consider manual tracking**. Use automatic tracking mechanisms where feasible. However, consider carefully before purchasing or developing new tracking systems; expensive or complex systems may be overkill. Manual methods are often more readily available and easier to use. For example, some organizations track downtime manually by documenting the starting and ending time of the outage.

- **Involve customers in collecting service data**. For example, special technology may be necessary to determine transaction response time. As an alternative, some organizations have designated customers submit selected test transactions at specified times and monitor response time with a stopwatch. The results are at least as useful as that generated by automated methods.

- **Consider the customer's perspective in selecting what to track**. Customers don't care that the service is available 99% of the time if they can access what they need only 75% of the time.

- **Track the fewest number of indicators possible**. Focus on measures that provide actionable information. For measures under consideration, ask:

  - What will this data tell us?
  - How will we use it?
  - What types of actions will be able to take as a result of it?

  If you don't know, omit the measurement.

- **REMINDER: Be careful what you track**. Remember: measurements influence behavior!

PLANNING SERVICE REPORTING

➔ **1. <u>Service Tracking and Reporting</u>**
2. Periodic Review
3. Change Process

Details pertinent to service reporting include:

1. **Reports to be generated:** Often, organizations don't know exactly what reports they will generate until they have gained some experience with the SLA. But any reports that have been defined beforehand can be listed.
2. **Party responsible for generating each report:** Service data is typically tracked and organized into reports by the service provider, but it may be appropriate for certain reports to be produced by the customer.
3. **Report recipients:** Ideally, reports will be accessible by all provider *and* customer personnel who have responsibility for the success of the SLA.
4. **Frequency and schedule of reports:** SLA reports are generally produced monthly and published within a specified number of days after month end.
5. **Report medium:** Indicate if reporting will be, for example, via printed report, formal presentation, electronic mail, intranet, etc.
6. **Aspects of the reported information of particular interest:** If appropriate, highlight patterns of service delivery that bear examination, such as variations in availability over time or fluctuations in volumes of orders processed.

If desired, these items can be organized into a table, such as

Service Reporting			
Report	Frequency/Schedule	Generated By	Medium
Daily Application Availability	Monthly, 5 days after month end	Provider	Printed
Help Desk Call Analysis	Monthly, 10 days after month end	Provider	Intranet
Problem Acknowledgment	Monthly, 5 days after month end	Provider and client jointly	Intranet

RECOMMENDATIONS FOR SERVICE REPORTING

➔ **1.** <u>**Service Tracking and Reporting**</u>
2. Periodic Review
3. Change Process

To avoid reporting pitfalls and maximize the value of reports:

- **Maintain customer confidentiality.** Distributing service data about one customer to another may violate customer privacy. However, some service providers deliberately distribute customer data (with customer permission), in response to customer curiosity about how other customers “are doing.”

- **Educate report recipients.** Explain to recipients how to evaluate and use the information reported. Consider including some questions or guidelines with the report which customers can use in assessing the information reported, so that they actually use the report rather than ignoring it.

- **Identify conditions that will trigger a closer look.** Doing so will help you quickly zone in on possibly critical situations. For example, conditions such as a call volume that exceeds a certain limit or a recurring type of outage may indicate a problem worth investigating.

- **Ensure a valid need for each report.** SLA developers are sometimes tempted to specify numerous reports without giving adequate attention to whether the report is actually needed and how it will be used. Discussing the purpose and value of each report makes it less likely that either organization will burden the other organization with superfluous reporting responsibilities.

- **Don’t forget the power of the naked eye.** In reviewing reports, be alert to patterns. such as a gradual increase in call volume. However, don’t be so mesmerized by reports that you miss patterns that are evident to the naked eye.

EXAMPLES OF SERVICE TRACKING AND REPORTING

➔ **1.** **Service Tracking and Reporting**
2. Periodic Review
3. Change Process

Example 1:

[Provider] will collect and summarize statistics relating to each of the specified service standards. These statistics, which will be made available to [Customer] monthly, will be used to monitor service quality. In addition, [Customer] may be requested to complete service assessment reports.

Example 2:

[Provider] will collect response times by calendar month and report them to [Customer] by the 5th workday of the following month.

Example 3:

[Customer] agrees to prepare a monthly report assessing the quality and timeliness of [Provider] outputs, and describing:

- the number of days output was late
- frequency and duration of service unavailability
- reason for non-performance as known by [Customer], and
- any comments or supporting information deemed appropriate

[Customer] agrees to send this report monthly to the [Provider] Director. The Director will compare the report to his records and resolve any differences with a [Customer] representative. [Provider] will publish a monthly report denoting service levels.

SAMPLE REPORT

➔ 1. **Service Tracking and Reporting**
2. Periodic Review
3. Change Process

The following report of a particular train service was posted for passenger review in the main train station. The report cited punctuality and reliability statistics for each of several train lines. See what stands out for you in this report, then see the next page for some comments.

Week of May 7			
	Target	**Average 4 Weeks**	**Average Past Year**
Train Service Punctuality % of peak hour trains arriving within 5 minutes of advertised arrival	90% (Previous target 89%)	96.7%	92.5%
Train Service Reliability % of advertised train service actually operated	99% (Previous target 98.5%)	99.7%	99.3%
Incidents beyond our control and excluded from these statistics: None			

SAMPLE REPORT: POINTS WORTH NOTING

➔ 1. **Service Tracking and Reporting**
2. Periodic Review
3. Change Process

This report offers several features which make it valuable as a model report:

1. **Report contents:** The report concisely captures several key pieces of information:

   - the reporting period: week of May 7th
   - the standards being tracked: punctuality and reliability
   - the definitions of these two standards
   - the target percentages for the reporting period: 90% for punctuality, 99% for reliability
   - the previous target percentages: 89% for punctuality, 98.5% for reliability. (It cannot be determined from this report whether these prior targets are for the previous 4 weeks or some earlier period.)
   - actual punctuality and reliability relative to the targets
   - special circumstances excluded from the reported statistics: none, during this reporting period

2. **Performance assessment:** This report quickly reveals that 4-week or past-year performance for both punctuality and reliability exceed the service target.

3. **Tracking kept simple:** According to the definition, punctuality is not being tracked 24 hours a day, but rather during peak periods; that is, periods of greatest business impact. This is a nice example of how to keep tracking both simple and pertinent. And the simpler the tracking, the better it lends itself to simple manual reporting methods.

SAMPLE REPORT: POINTS WORTH NOTING
(continued)

➔ 1. **Service Tracking and Reporting**
2. Periodic Review
3. Change Process

4. **Service standard with built-in leeway:** Punctuality, as defined in the report, means within 5 minutes of advertised arrival, giving train crew some minor flexibility in delaying departure. (Customers, of course, may not approve of such leeway; however, customers often want it both ways: In one of my SLA seminars, a participant complained about airlines that refused to delay departure for passengers on late-arriving connecting flights; however, if customers insist on delays in departure, they must be willing to accept comparable delays in arrival.)

5. **Exclusions:** This report takes two approaches to identifying service exclusions:

   - Tracking only peak-hour arrivals, thereby excluding non-peak arrivals. (Unfortunately, this report does not state what the peak hours are.)

   - Identifying exclusions after the fact. This report ends with a statement about incidents excluded from the statistics (of which there were none during this reporting period). After-the-fact exclusions avoid the often time-intensive up-front effort to identify and negotiate all possible exclusions, and may be an appropriate approach in an SLA. Each such circumstance that arises can then be assessed after the fact and a decision made how to handle such circumstances in the future.

6. **Public reporting:** This report was posted in a central location. Although most customers ignored it, the option to view it was available to them. For SLAs, public displays or widespread dissemination of performance reports can be valuable in communicating service improvements to customers, particularly if service has previously been below par (as with this train service). Customer recognition of service improvements generally lags far beyond the implementation of those improvements; publicly reporting and publicizing improvements accelerates the reversal of a negative image.

MANAGEMENT ELEMENT #2: PERIODIC REVIEW

	1. Service Tracking and Reporting
➔	**2. <u>Periodic Review</u>**
	3. Change Process

In the absence of an SLA, the two parties may tend to meet only for project-related work or when a serious problem has occurred that requires immediate attention. Meetings to assess service effectiveness and improve service delivery may occur rarely or not at all.

The SLA counters this tendency not to meet by incorporating provisions for a regularly scheduled periodic review. These reviews are a critical aspect of managing an SLA. They provide a formal way to assess service adequacy and to negotiate changes to services or service delivery.

Reviews are usually coordinated and conducted by the SLA Managers of the two parties or their designees. Ideally, a service review report is prepared and circulated after each meeting, documenting issues addressed, decisions made, and action to be taken.

Key issues, as described on the next few pages, include:

- The objectives of a periodic review
- Methods of conducting a periodic review
- Periodic review frequency
- Periodic review participants

THE OBJECTIVES OF A PERIODIC REVIEW

1. Service Tracking and Reporting
➔ **2.** **Periodic Review**
3. Change Process

The objectives of a periodic review may vary from one review to the next and need not be predefined. However, documenting a general set of objectives in the SLA improves the odds that reviews will actually be carried out. It also informs others who read the SLA that this review process will occur and that service effectiveness will be regularly and systematically assessed.

General objectives of a periodic review are:

- To review service delivery since the last review
- To discuss major deviations from service standards
- To resolve any conflicts or concerns about service delivery
- To re-evaluate services in light of current business needs and available resources
- To discuss changes planned or in progress to improve service effectiveness
- To negotiate changes to service levels, service tracking, reporting, responsibilities, or other matters deemed pertinent, and to plan associated changes to the SLA document

METHODS OF CONDUCTING A PERIODIC REVIEW

1. Service Tracking and Reporting
➔ **2.** **<u>Periodic Review</u>**
3. Change Process

What are the pros and cons of alternative methods of conducting the review?

- **Face-to-face.** When the parties to the SLA are in close proximity or travel is feasible, it is preferable for reviews to be conducted face-to-face, particularly when the SLA is new. Personal contact facilitates communication that might be awkward otherwise. Some SLA managers invite a different colleague to attend each review with them, so that these individuals have an opportunity to have face-to-face contact with members of the other organization.

- **Telephone conference.** After an initial set of face-to-face meetings, or when the parties are located far from each other, telephone conference calls may be a less expensive alternative to face-to-face meetings. However, they tend to become awkward when numerous individuals attend or people can't readily recognize each other's voices.

- **Videoconferences or web-based meetings.** These methods may be more expensive than telephone conference calls, but offer the advantage of visual contact, particularly for parties located remotely from each other.

- **Email.** Email is <u>not</u> recommended for periodic reviews. The importance of the review warrants face-to-face or at least voice-to-voice contact. However, on-line access to service reports, such as via a corporate intranet, can facilitate discussions about service data during telephone-based reviews.

PERIODIC REVIEW FREQUENCY

1. Service Tracking and Reporting
2. **<u>Periodic Review</u>**
3. Change Process

Important issues invariably surface during periodic reviews, and these issues pave the way for problem prevention and service planning. Therefore, although review dates need not be specified in the SLA, the frequency of such meetings *should* be specified. Otherwise, such meetings are easily deferred and may not be held even when circumstances warrant.

It is advisable to conduct a formal review at least:

- **Monthly** . . . when the SLA is new, service delivery is below acceptable levels, or the service environment is undergoing significant change. Some organizations hold monthly reviews on an ongoing basis; the SLA managers find that important issues always arise regarding service effectiveness that might not otherwise get timely or focused attention.

- **Quarterly** . . . when service has been stable or when the SLA managers are in frequent contact on a routine basis.

- **Annually** . . . in order to conduct an in-depth assessment of the SLA in light of changing business or service needs.

- **On an interim basis as warranted** . . . for matters that cannot or should not await the next formal review. For example, an interim review may be considered if:

  - Significant concerns arise regarding the adequacy of services or service delivery, as stated in the agreement

  - Service standards or other service conditions specified in the agreement are in conflict with current business or organizational needs

PERIODIC REVIEW PARTICIPANTS

1. Service Tracking and Reporting
2. **Periodic Review** ➔
3. Change Process

Who participates in a service review?

- **SLA Managers.** The SLA managers, or their designees, are responsible for coordinating and conducting the review.

- **Members of both parties.** It is a wise idea to invite all members of both parties who have a stake in service effectiveness. It is also a good idea to encourage them to submit any issues of concern for inclusion in the agenda. Although few may actually attend or submit issues, they will know they have had the opportunity to contribute and participate.

- **Selected individuals by invitation.** It may also be a good idea to personally invite selected individuals when issues of concern to them will be addressed or when issues in which they have expertise are to be discussed.

- **Management.** Some organizations designate selected reviews, such as every third one, as a management review, designed specifically for participation by upper-level managers who may otherwise not have close contact with the SLA effort.

PERIODIC REVIEW EXAMPLES

Example 1:

A joint review of SLA objectives and service performance will be conducted quarterly by [Customer] and [Provider]. A special meeting will be conducted annually to review SLA terms and conditions.

Example 2:

Service Level Reviews will be conducted via video conference monthly at a mutually agreed upon date and time. This meeting will be attended by the Director of [Provider] and the Vice President of [Customer] and their designated representatives. The agenda will include, but not be limited to:

- A review of the previous month's Service Level Review Report
- A discussion of any issues, outstanding problems, and expected changes in processing volumes

Example 3:

This SLA will be reviewed quarterly by [Provider and Customer]. Interim reviews can be specially scheduled under the following circumstances:

1. An individual request from an associated department
2. When members of either party perceive that certain criteria in the SLA do not meet current requirements
3. When related parties provide feedback regarding the inadequacy of any of the services listed in the SLA
4. In the event of substantial alterations to the structure or operation of an associated department

MANAGEMENT ELEMENT #3: CHANGE PROCESS

1. Service Tracking and Reporting
2. Periodic Review
➔ **3.** **Change Process**

A Change Process provides formal mechanisms for making changes to service delivery and to the SLA document. Changes might be made for such things as:

- adding new services or service standards
- modifying service levels
- setting new service targets
- adjusting the division of responsibilities

The Change Process is often missing from SLAs. This gap is critical, because the Change Process serves an important role in the success of the SLA by ensuring members of both parties that nothing in the SLA document is permanently fixed. Throughout the life of the SLA, change can be made as circumstances warrant and as agreed to by both parties.

This opportunity to make adjustments to the SLA often reassures those who may fear making service commitments that will be "cast in concrete." Thus, the intent to permit changes is not sufficient; it is important to document this intent in the SLA.

Even the change process itself can be changed using the change process! Sometimes, after making some changes to the SLA, organizations conclude that the process is either too complex or insufficiently detailed, and so they change the change process.

CREATING A CHANGE PROCESS

1. Service Tracking and Reporting
2. Periodic Review
➔ 3. **Change Process**

Key issues in creating a change process include these:

- **Conditions warranting change.** Although everything in the SLA document is eligible for change, changes should not be made casually or frivolously. Thus, it is advisable to describe the types of conditions most likely to warrant consideration of changes, such as

  - changing business or service needs
  - significant variations from agreed upon service standards, or
  - unanticipated events.

- **Change frequency**. To ensure stability of the SLA document and to avoid the potential confusion imposed by repeated revisions, changes should be made as infrequently as possible. It is suggested that, as a general rule, changes be incorporated no more often than quarterly.

- **Change procedures.** The SLA should document the process of requesting, initiating and negotiating changes. Generally, this process entails identifying circumstances warranting consideration of changes, negotiating such changes at periodic review meetings (or other sessions as appropriate), incorporating the changes in the SLA document, and notifying pertinent personnel about the changes.

EXAMPLES OF CHANGE PROCESS

1. Service Tracking and Reporting
2. Periodic Review
3. ➔ **Change Process**

Example 1:

Requests for changes to the agreement can be made by any member of either party and must be submitted in writing to that party's SLA manager. Renegotiation will take place through the Periodic Review process. All changes must be approved by the signatories to the agreement or their designees. A Change Log will be used to maintain a record of all changes to the SLA.

Example 2:

Revisions to this Agreement by mutual consent may be made in anticipation of, or in response to:

- [Customer] or [Service Provider] request
- Significant change in capacity requirements, number of transactions processed, or volume of printed output. "Significant change" is defined as an increase or decrease of 20% over average daily statistics at the time of signing the Agreement.

CHAPTER 6:

EXERCISE 2:
EVALUATE A SAMPLE AGREEMENT

Chapter Overview

The objective of this chapter is to provide a second opportunity for you to gain experience in evaluating a sample SLA, this time drawing from the information in the preceding chapters. Following this SLA is a detailed set of observations and recommendations to help you in preparing your own SLAs.

HOW TO USE THIS AGREEMENT

This SLA illustrates many of the points made in the preceding chapters and offers an opportunity to examine the service and management elements in context.

You will undoubtedly find aspects of this SLA that you consider strengths and others you view as weaknesses. Please remember that the final test of any SLA is not how it appears to others, but whether the parties to it agree that it serves their purposes.

Therefore, in evaluating this agreement:

1. **Focus on the big picture.** The purpose of this SLA is to illustrate key issues for you to pay attention to in creating your own SLAs. To the extent that the specific services described differ from your own, don't be distracted by them. Instead, concentrate on the language of the SLA, its structure, format, readability, consistency, clarity, and so on.

2. **Observe your reactions.** See what strikes you as positive or negative about this SLA. If possible, compare your reactions with your colleagues. Doing so will help you broaden your view of the many possible reactions to a given SLA, thereby helping you prepare to negotiate the terms and conditions in your SLAs.

3. **Identify aspects of this sample SLA that relate to your own SLAs.** Highlight features or wordings you would like to include in your own SLAs, as well as those you'd like to avoid. Use the table of contents of the SLA and the wording of the various sections as a basis for creating a template for your own SLAs.

4. **Expand your list of evaluation criteria.** Identify any criteria beyond those previously outlined that will be helpful in assessing your own SLAs. These criteria are presented in a modified form on the next page.

Following this SLA is a set of observations and recommendations. These points highlight features or wordings that you may want to use in your own SLAs, alternative ways of expressing certain issues, common differences of opinion among SLA developers, and suggestions for possible enhancements.

My eBook, **How to Critique and Strengthen Your Service Level Agreements**, offers a comprehensive look at factors and criteria to keep in mind in evaluating your SLAs. Details: www.nkarten.com/book2.html.

EVALUATION CRITERIA: ANOTHER APPROACH

This list of evaluation criteria is based on the list on page 3.14. In this case, however, the criteria are presented as questions. When formatted as questions, evaluation criteria tend to elicit more useful information, because they help reviewers better understand what you are asking for.

1. **Readability**

   a. Does the SLA have a pleasing, professional look? Do you find the type style and type size easy on your eyes?

   b. Is the length of the SLA appropriate to its purpose?

   c. Do you find the structure of the SLA easy to comprehend? What was your reaction to the organization and sequence of information?

   d. Do you understand all the information in this SLA? Did any terminology seem ambiguous, vague or confusing?

   e. Is the information consistent? Are there instances of terminology or structure changing from one section to another?

2. **Content**

   a. Is the SLA complete? Are the key service elements and management elements adequately covered? Are there any gaps in information or omissions of key items?

   b. Is the level of detail appropriate?

   c. Is the scope of the SLA and the services it addresses clear?

   d. Are both parties appropriately represented?

   e. Does the tone reflect a spirit of collaboration between the parties to the SLA?

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SERVICE LEVEL AGREEMENT

between

[Customer]

and

[Service Provider]

PREPARED BY:

________________________________	______________________________
Name	Name
Title	Title
Date: _________________________	Date: _________________________

APPROVED AND OWNED BY:

________________________________	______________________________
Name	Name
Vice President, [Customer]	Vice President, [Service Provider]
Date: _________________________	Date: _________________________

Doc Ref C042

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APPENDICES

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A. Purpose and Objective

This Service Level Agreement (SLA) has been jointly created by [Customer] and [Service Provider] to detail the conditions and expectations of our two organizations regarding service delivery by [Service Provider] to [Customer].

We view this Agreement as a building block that will contribute to a long-term relationship. Accordingly, no changes will be made to this document without the agreement of both organizations. This document will remain in force until explicitly superseded, replaced or terminated.

B. Scope

[Service Provider] provides network services and associated technical support services. A service guide detailing these services is available at [website URL].

This SLA currently pertains <u>only:</u>

- to a subset of the services which [Service Provider] provides to [Customer], and
- to those terms and conditions deemed to have greatest business impact on [Customer] profitability

In particular, the service standards in this Agreement address availability and reliability for <u>critical applications</u> (Section E).

As circumstances warrant, this Agreement will be modified to incorporate other services and additional terms and conditions.

C. Related Documents

The following documents are either referenced in this SLA or pertinent to the services described. All named documents are available online.

A001	Documentation Standards
C006	Problem Resolution Procedures
P024	Service Pricing
P104	Escalation Procedures
S004	Network Procedures

Key terms in this Agreement are defined in the glossary in Appendix A.

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D. Contact Personnel

1. Service Managers

[Customer] and [Service Provider] have each designated a Service Manager who is responsible for managing the Agreement for his/her organization, and for ensuring timely and effective attention to service issues pertinent to this Agreement.

Contact information for the Service Managers and other personnel with SLA-related responsibilities are listed in Appendix B.

2. [Service Provider] Help Desk

The [Service Provider] Help Desk is available 24 hours a day, 365 days a year. This Help Desk is the point of contact for [Customer] personnel for questions and problems regarding service delivery.

This Help Desk can be contacted by email at [email address] or by phone at [phone number]. Individuals with Help Desk responsibilities are listed in Appendix B.

3. [Customer] Help Desk

The [Customer] Help Desk provides support services to [Customer] internal clients, and is the point of contact for [Service Provider] personnel for questions and problems regarding service delivery.

Help Desk staff are on duty Monday through Friday from 8:00 am to 6:00 pm. Two members of the Help Desk are on call, on a rotating basis, during off-hours. Daily and off-hour contact information is listed in Appendix B.

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E. Critical Applications

1. Application Availability

This standard concerns the percentage of time that [Customer] personnel will have network access to critical applications involved in providing timely and effective service to [Customer's] customers.

Critical, as used here, refers to the applications in Table 1, which have been identified by the [Customer] Steering Committee as having the maximum impact on [Customer's] profitability.

Availability is defined as the percentage of time that the specified application is available for use by [Customer], as measured over a calendar month.

[Service Provider] has committed to having these applications available

99.5% of the time during the weekday hours stated in the table, and

97.5% during the stated weekend and holiday hours.

APPLICATION	WEEKDAYS	WEEKENDS/HOLIDAYS
aaa	6:00am-8:00pm	8:00am-8:00pm
bbb	5:00am-9:00pm	5:00am-9:00pm
ccc	6:00am-8:00pm	6:00am-6:00pm
ddd	6:00am-9:00pm	6:00am-9:00pm

Table 1. Critical Applications

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Outages will be calculated based on the date/time stamps on trouble tickets. Trouble tickets are opened automatically by the network or manually by the [Service Provider] Help Desk upon notification from the [Customer] Help Desk or other [Service Provider] personnel.

For purposes of calculating monthly availability, unavailability is disregarded:

- For outages due to scheduled and announced maintenance, up to **3** outages per month, a maximum of **2** hours per outage, and **4** hours in total.
- For time periods other than those stated in Table 1.
- If support or repair staff is unable to gain access to [Customer's] equipment to carry out necessary repair work
- If caused by environmental conditions at [Customer's] location or other environmental conditions outside of [Service Provider's] control.
- If caused by a malfunction created by [Customer] personnel and for which [Customer] personnel are responsible.
- If [Customer] fails to follow mutually agreed upon procedures, as documented in Document S004.

Within **5** business days after month end, [Service Provider] will deliver a report to [Customer] documenting daily availability by application for the month, and monthly availability by application for the most recent 12 months.

If actual availability for any application is below the guaranteed level, the report will document the reasons and describe a plan for avoiding a recurrence. All such service deviations will be addressed during Service Review meetings (Section G), and may result in a financial penalty commensurate with the degree of slippage.

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2. Application Reliability

This standard concerns the number of outages per calendar month for critical applications. This standard complements the availability standard in Section E1 by ensuring that no critical application faces an excessive number of outages even when availability exceeds required levels.

Service is considered to be unacceptable if more than **2** outages occur per critical application or more than **3** outages in total for the month.

For purposes of tracking reliability, outages are disregarded:

- If they occur for scheduled and announced maintenance.
- If caused by environmental conditions at [Customer] sites or other environmental conditions outside of [Service Provider's] control.
- If unavailability is caused by a malfunction created by [Customer] personnel and for which [Customer] personnel are responsible.

Within **5** business days after month end, [Service Provider] will deliver a report to [Customer] documenting daily reliability (number of outages) per application for the month just completed, and monthly reliability per application and in total for the most recent 12 months.

The report will document the reasons for each outage and describe a plan for avoiding a recurrence.

If reliability for any application falls below the number of outages specified above, [Provider] may be subject to a penalty commensurate with the degree of slippage, as noted in Document P024.

3. Exceptional Circumstances

[Service Provider] reserves the right, in exceptional circumstances, to implement changes to prevent degradation of critical applications without [Customer's] prior approval. Any such changes must be communicated to the [Customer] Service Manager or Help Desk as soon as possible. Any such instance must be documented and is subject to subsequent review.

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F. Problem Management

1. Outage Notification

Member of either organization who become aware of a network or application outage will notify their organization's Help Desk, which will notify the other organization's Help Desk. Each Help Desk is responsible for immediately contacting the personnel within that organization who are responsible for or need to be alerted about the situation.

To determine whether a problem has already been reported or to find out the current status, members of each organization will contact a designated number to receive a recording about the status of all known outages. This recording will be updated every **30 minutes** or as otherwise agreed on a case-by-case basis, and will include a final notification when a particular outage has been resolved.

2. Problem Acknowledgment and Resolution

This standard concerns the turnaround time for [Service Provider] Help Desk to respond to and resolve technical problems reported by [Customer].

The [Service Provider] Help Desk's goal is to resolve **85%** of reported problems within **1** hour of the call, as measured on a weekly basis. To enable this goal to be achieved, [Customer] will supply appropriate technical and business impact information, as outlined in Document P006, at the time of the call or when leaving a voice mail message.

For problems that cannot be resolved within **1** hour, [Customer] will be notified within **1** hour of the call of the estimated completion date or time for resolving the problem.

For purposes of calculating the time to problem resolution, time periods are excluded in which:

- [Customer] is not available when contacted for necessary information or to answer questions
- A high-priority business need causes the [Service Provider] Help Desk to suspend conformance to the goal.

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By Tuesday of each week, [Service Provider] will provide [Customer] with a report documenting the previous week's problem resolution activities, including a listing of problems closed along with the action taken, and problems still open along with the estimated completion date.

The report will also note the percentage of problems resolved within **1** hour of the call. If the commitment to resolve **85%** of problem within **1** hour has not been met, the report will include an explanation and steps to be taken to achieve improved responsiveness.

G. Service Review

A quarterly review open to members of both organizations will be conducted jointly by [Customer] and [Service Provider] Service Managers.

The purpose of the review is to assess service effectiveness during the past quarter, to identify and address service problems, and to evaluate service delivery in light of current business needs and available resources. Particular attention will be paid to notable deviations from service commitments.

As the basis for this review, the Service Managers will collaborate in collecting, analyzing and reporting service data associated with the service standards in this SLA. Within 5 business days after each quarterly review, a report will be published describing issues addressed, decisions made and actions taken.

Interim service reviews may be conducted between quarterly reviews if a pattern of service delivery warrants a more immediate review, or if a change occurs in the structure or operation of either organization of sufficient impact to affect the terms of the Agreement.

An in-depth review of the Agreement will be undertaken annually to ensure that it continues to meet the needs of both organizations.

H. Change Process

Changes to this Agreement may be negotiated based on changing business or service needs or significant variances from service commitments. Members

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of either organization can submit requests for changes to their Service Manager, who will negotiate the changes. All changes must be approved by the Vice Presidents of both organizations, or their designees.

When changes are approved, an updated Agreement will be posted online. Changes will be recorded in the Document Log in Appendix C.

I. Maintenance and Distribution of the Agreement

[Service Provider] is responsible for maintaining this Agreement and ensuring that changes have been incorporated before new versions are distributed.

Distribution of copies within each organization is the responsibility of that organization's Service Manager. An online copy of the SLA will be available to both organizations, along with links to other relevant documents.

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Appendix A. Glossary of Terms

Availability: A measure of the total time, as measured over a calendar month, that the designated service is accessible and usable by [Customer].

Critical: Used to denote the five to eight applications deemed most critical to the [Customer] Corporation.

Reliability: A measure of the number of service interruptions caused by outages.

Scheduled Outage: A mutually agreed upon service interruption that was scheduled through the normal change process.

Service Standard: The terms and conditions that constitute acceptable service delivery by [Service Provider] to [Customer].

Times: All times are in Eastern Standard Time.

Appendix B. [Service Provider] and [Customer] Contact List

[Service Provider]
.
.
.
[Customer]
.
.
.

Appendix C. Document Log

Date	Details of Change
10/9/06	Conditions denoting unavailability expanded in Section F.
7/22/05	Section H amended to include interim reviews to ensure more timely attention to critical problems.

OBSERVATIONS AND RECOMMENDATIONS

Though not without flaws, this SLA is reasonably well-done in terms of both content and format. You may find it helpful as a model for your own SLA, revising and adapting it to fit your organization's unique issues and concerns.

If you will be establishing several SLAs, create a template that you can use for each SLA. A template will enable you to use a similar structure and wording for all SLAs, or at least to begin the effort from the same starting point. In doing so, you can significantly reduce your overall workload compared with starting each SLA effort from scratch. This SLA, adapted to your own circumstances, might serve as a basis for that template.

Here are some items worth noting in this SLA:

- **Signatures**

  This SLA highlights names and signatures on the cover page. The wording used for the second set of signatures ("Approved and Owned By") emphasizes the buy-in of the two vice presidents. Such wording can facilitate the acceptance of the SLA by those whose efforts are needed to support it.

- **Document reference number**

  The reference number at the bottom of the first page of the SLA is an administrative element that relates the SLA document to other documents in the same organization (typically the service provider's organization). Cross-referencing information of this kind is a good idea, provided the members of the other organization are amenable to its use.

- **Table of contents**

  The table of contents page (SLA page 2) provides an overview of the structure and contents of the SLA, making it easy for readers to locate sections of interest to them. If the SLA is to be web-based, you can improve readability (particularly if the SLA is long) by linking each entry in the table of contents to its appearance in the text.

OBSERVATIONS AND RECOMMENDATIONS
(continued)

- **Scope**

  The scope information in Section B is kept simple by concisely stating the services the provider delivers and the range of services covered by the SLA. Readers are told how they can obtain additional information about services; there is no need to bog the SLA down with detailed information that is already available elsewhere.

- **Constraints**

  This SLA is an example of a minimal SLA: As the scope information in Section B illustrates, the SLA pertains only to selected services and terms. An SLA does not need to be all-encompassing to be usable; it can start by focusing on the issues of greatest concern and expand to other services or service conditions as circumstances warrant.

  Acknowledging that additional services and terms may be added, as this scope statement does, helps readers understand that omissions regarding services and terms are deliberate, not due to a failure to consider them.

- **Definitions**

  The last line of Section C refers to the glossary of key terms in Appendix A. Make sure the definitions of terms in the Appendix match the definitions as used in context.

  For terms that appear in the glossary, consider highlighting these terms the first time they are used in the SLA text, so that readers know that they are explained in the glossary. If you do so, point out the purpose of the highlighting. For example, the closing line of Section C might read: “Key terms in this Agreement are defined in the glossary in Appendix A and are underlined upon first use in the SLA.”

  Alternatively, if the SLA is web-based, consider linking the first appearance of each term to its entry in the glossary.

OBSERVATIONS AND RECOMMENDATIONS
(continued)

- **Contact personnel**

  Section D describes the Service Managers and Help Desks, but defers the list of specific contact individuals to Appendix B. As a result, Section D will be unaffected if there is a change in the specific contact individuals or their contact information.

- **Key information highlighted**

  In the service standards in Sections E and F, key numbers are highlighted with bold type and double underlines so that they stand out and quickly catch readers' attention.

- **Use of visual elements**

  To enhance readability, SLAs should use visual elements as much as possible, such as tables (e.g., Table 1 in Section E1) and lists (e.g., the conditions disregarded from calculations in Sections E1 and E2).

  Tables are often used to capture the key commitments in an SLA; this information can then be summarized on a single sheet for easy reference by the personnel accountable for meeting these commitments. Readability of this sample SLA would be improved by including just such a summary sheet.

- **Service standards**

  Service standards are the heart of an SLA, and are generally what people are most eager to know about when they read the SLA. Given this fact, some SLA developers like to highlight the service standard section. For example, in this sample SLA, "Service Standards" could have been a section header, under which the specific standards in Sections E and F were stated.

- **Business impact**

  The service standards in Section E emphasize business impact by focusing entirely on applications identified by the customer as having critical impact. These applications are top priority: If all remaining applications function perfectly, but the critical applications fall below the specified standard, company profitability and reputation will be damaged.

OBSERVATIONS AND RECOMMENDATIONS
(continued)

- **Availability**

  This service standard (Section E1) answers some issues well, but also raises several possible concerns. For example:

  - **Off-hour availability.** The commitment to provide availability is limited to the stated hours. But what about other hours? Is 100% unavailability acceptable? If availability during other time periods is of no concern, it is preferable to say so explicitly, so it is clear the two organizations have addressed and agreed upon this issue.

  - **Holiday schedule.** Consider either stating the dates of holidays or indicating where this information can be found. Being clear about such dates is especially important when services span regions which may observe different holidays.

  - **Exclusions.** This standard cites several exclusions from the calculation of availability. Exclusions such as the last two (page 6.9) are subjective and can cause conflicts if it is unclear whether the customer is responsible for the outage. Some organizations prefer to have the calculation include any unavailability for which *either* organization is responsible so that both feel a stake in improving service. For such organizations, the issue isn't "who is to blame?", but rather "what can we jointly do to rectify the situation?"

  - **Penalties.** Many customer organizations favor financial penalties if the service provider fails to meet agreed upon service levels. The inclusion of penalties is often a given in contractually-oriented SLAs. However, some customers prefer not to include penalties, for fear that they will damage their relationship with their provider and motivate the provider to give other customers higher priority rather than work to rectify the situation.

  - **Incentives.** In the eyes of many SLA negotiators, the risk of financial penalties for substandard service is unacceptable unless balanced by the possibility of financial reward for better than agreed upon service.

OBSERVATIONS AND RECOMMENDATIONS
(continued)

- **Reliability**

  Availability and reliability are inter-related and many SLAs capture both in a single service standard. In this SLA, reliability has been highlighted separately from availability to capture a key concern: reliability, as reflected in the number of outages per month, can be poor even when availability is excellent.

  That is, even if availability is at a 99+% level, the downtime can comprise anything from a single sustained outage to dozens of momentary outages. This customer's concern about the business impact of random brief outages speaks to the concern about uncertainty (specifically consistency and predictability of service) as described on page 1.13.

- **Reporting**

  The service standards for availability and reliability (Sections E1 and E2) each include provisions for reporting that begins "Within 5 business days after month end, [Service Provider] will deliver a report to [Customer] documenting....". Readability might have been enhanced by combining these two sets of reporting information into a single section that follows the two service standards. Doing so would help the reader quickly grasp the reporting requirements associated with these service standards.

- **Outage notification**

  This service standard (Section F1) requires each Help Desk to contact the appropriate personnel **immediately**. Many organizations consider the use of such terminology too vague for an SLA; they prefer specific timeframes, such as "within 15 minutes."

  Other organizations deliberately express such requirements in non-specific terminology. Their view is that they can always modify the SLA to incorporate greater specificity if circumstances warrant. In the meantime, they use phrases such as "immediately," "as soon as possible," and "as circumstances warrant" as an indication of their trust in their personnel to act appropriately, and in the belief that personnel are well-versed in what is expected of them during top priority circumstances.

OBSERVATIONS AND RECOMMENDATIONS
(continued)

- **Problem acknowledgment and resolution**

  This service standard (Section F2) states that an estimated completion date or time will be provided for problems that cannot be resolved within one hour of the call. The service standard does *not* state whether the provider intends to give customers periodic updates until the problem is resolved or to inform customers of a revised estimate if the original estimate needs adjustment. Although both periodic updates and notification of revised estimates are recommended, stating in the SLA that this will be done is at the discretion of the two organizations).

- **Emphasis on problem prevention**

  The service standards in this SLA require the service provider not just to document problems, but also to identify why they occurred and what steps will be taken to avoid a recurrence. Although no information is included about how the success of problem prevention will be assessed, the fact that prevention is being emphasized may cause greater attention to be paid to problem diagnosis and prevention than had been done previously.

- **Document log**

  Some organizations are content with the amount of information stated in this log; others prefer more detail, such as documenting the specific conditions of unavailability that were added on 10/9/06.

CHAPTER 7:

CRITICAL INITIAL STEPS

Chapter Overview

References to the SLA development process have appeared throughout the previous chapters. The objective of this chapter and the next one is to present the SLA development process in a coherent, orderly fashion, and to provide guidelines and recommendations for carrying out this process.

This chapter describes four key steps, or prerequisites, that require attention before undertaking a full-fledged SLA development effort:

Step 1: Assess whether an SLA is appropriate.

Step 2: Ensure management commitment.

Step 3: Designate SLA managers.

Step 4: Provide SLA education.

When SLA efforts fail to result in a completed SLA, or get seriously bogged down in reaching that goal, the reason can often be traced to inadequate attention to one or more of these four steps.

STEP 1: ASSESS WHETHER AN SLA IS APPROPRIATE

➔ **1.** **<u>Assess whether an SLA is appropriate.</u>**
2. Ensure management commitment.
3. Designate SLA managers.
4. Provide SLA education.

Is an SLA is the right strategy for your needs? Is it the best strategy at this time? If you can answer yes to any of the following questions, attempts to establish an SLA may backfire or seriously divert valuable resources. (Refer to page 1.17 for additional information on the issues raised by these questions.)

1. Is the relationship between the two parties characterized by a serious level of tension and dissatisfaction?

2. Are customers confused about the provider's services because these services have not been adequately described?

3. Do provider personnel lack clarity about the division of responsibilities in their organization?

4. Is either party unwilling to commitment staff resources to develop and manage the SLA?

5. Do the members of the parties to the SLA lack expertise in establishing and managing an SLA?

Any one or more of these problems may signal either that it would be inappropriate to proceed with an SLA effort at all, or that it would be counterproductive to do so at this time.

STEP 2: ENSURE MANAGEMENT COMMITMENT

1. Assess whether an SLA is appropriate.
2. ➔ **Ensure management commitment.**
3. Designate SLA managers.
4. Provide SLA education.

Management commitment is essential to the success of a service level agreement, because:

- An SLA may result in changes in the way services have been delivered and in the way the organization needs to be structured to support the provisions of the SLA. Implementing these changes may require management backing.

- Management support gives the SLA credibility, which can help in gaining the buy-in of those whose cooperation or involvement you require to carry out its provisions.

- Without management commitment (particularly at upper management levels), one or both parties might ignore the agreement once it is enacted.

- Establishing an agreement is typically a significant effort, and those involved in the effort may have require management approval to be relieved of other responsibilities during this process.

- Management backing communicates to all employees that the agreement is important and is to be taken seriously.

Be forewarned: SLA development efforts without management commitment rarely reach completion.

STEP 3: DESIGNATE SLA MANAGERS

1. Assess whether an SLA is appropriate.
2. Ensure management commitment.
3. ➔ **Designate SLA managers.**
4. Provide SLA education.

To oversee SLA development and management, each party to the SLA needs an SLA Manager who works with the other organization's SLA Manager to develop and manage the Agreement.

SLA Manager is not necessarily a formal title (although some organizations choose to make it a formal title); rather it indicates the individual selected to oversee SLA activities. In practice, people selected as SLA Manager have had such titles as:

Account Manager
Business Systems Manager
Service Level Manager
Product Manager
Customer Service Manager
IT Manager
Director, Network Services
Process Consultant
Manager, Service Delivery
Senior Administrator
Project Manager
Team Manager
Manager, Communications
Technical Service Manager
Quality Manager
Communications Consultant
Support Services Manager
Client Relations Manager
Marketing Manager
Support Manager
Sr. Help Desk Analyst
Product Marketing Manager
Network Support Engineer
Contract Manager
Facilities Manager
Planning Coordinator

WHY THIS ROLE IS SO CRITICAL

1. Assess whether an SLA is appropriate.
2. Ensure management commitment.
3. ➔ **Designate SLA managers.**
4. Provide SLA education.

An SLA Manager is instrumental to the success of an SLA effort. This person serves in a multi-faceted capacity that entails being

- **A sales person** who can sell the benefits of the SLA and its terms and conditions to those whose buy-in is necessary to its success
- **An educator** who can help others understand the purpose of the SLA, its implications, its contents, and how it is established
- **A negotiator** who can work with the other organization to find solutions and approaches that benefit both organizations
- **A communicator** who can keep others informed about the progress and status of the SLA effort
- **A facilitator** who can guide or oversee meetings and discussions about services and service delivery
- **A conflict manager** who can help to resolve tensions between organizations due to actual or perceived service delivery problems
- **A detective** who can gather data and analyze service problems so as to identify underlying causes
- **A psychologist** who can ease the fears and boost the confidence of those concerned with how the SLA will affect them and their work

ATTRIBUTES OF AN SLA MANAGER

1. Assess whether an SLA is appropriate.
2. Ensure management commitment.
3. ➔ **Designate SLA managers.**
4. Provide SLA education.

Ideally, the individuals selected to lead the SLA effort should:

- ✓ Be knowledgeable about the organizational entity they represent
- ✓ Be reasonably familiar with the *other* party's business
- ✓ Have the respect of both their own and the other party's organization
- ✓ Be skilled in communications and negotiations
- ✓ Have a strong interest in seeking win-win relationships
- ✓ Be knowledgeable about the establishment and management of SLAs, or have access to sources of expertise
- ✓ Be able to commit the time and effort needed to establish and manage the Agreement

Key Point

SLA Managers typically acquire heightened awareness of and appreciation for the other organization's service concerns. To their peers, they may appear to be favoring the other organization in the terms of the SLA and in the resolution of disputes once the SLA is in effect.

The best SLA Managers are those who can gain the trust and respect of the other organization without losing the trust and respect of their own.

RESPONSIBILITIES OF AN SLA MANAGER

1. Assess whether an SLA is appropriate.
2. Ensure management commitment.
3. ➔ **Designate SLA managers.**
4. Provide SLA education.

The responsibilities and accountabilities of an SLA Manager may include any or all of the following:

- ✓ Serve as the point of contact for problems or concerns related to the SLA itself, or the delivery of services described in the SLA.
- ✓ Maintain ongoing contact with the other party's SLA Manager.
- ✓ Serve as the primary point of contact in the escalation process.
- ✓ Periodically assess the effectiveness of mechanisms selected for service tracking and reporting.
- ✓ Plan and facilitate periodic reviews, in coordination with the other party's SLA Manager, and coordinate and implement modifications to the SLA, as deemed appropriate.
- ✓ Facilitate or participate in conflict resolution processes regarding service effectiveness
- ✓ Regularly assess and report on how the two parties can further enhance their working relationship.
- ✓ Delegate responsibilities to, or seek the assistance of, colleagues, subordinates or members of the other party's staff as needed to address issues that may arise under the Agreement.

QUESTIONS REGARDING SLA MANAGERS

1. Assess whether an SLA is appropriate.
2. Ensure management commitment.
3. ➔ **Designate SLA managers.**
4. Provide SLA education.

Questions that sometimes arise regarding SLA Managers include these:

Q Can one SLA Manager establish the SLA and another manage it?

Circumstances often dictate a transfer of responsibilities once an SLA is operational. In this situation, it is critical for the person who will manage the SLA to become as conversant as possible with the issues and problems that occurred during the development of the SLA.

Q Can SLA Managers single-handedly establish SLAs?

Rarely can the entire job of establishing SLAs be carried out by just one person from each organization. At a minimum, it is wise for each to have a backup to ensure continuity in case an SLA Manager becomes unavailable.

In addition, both the IT and customer organizations may require an implementation team to carry out the tasks involved in establishing the SLAs. The team typically reports to and takes direction from its SLA Manager. Even when a formal team is not established, the SLA Managers may need the support of others who will provide background information, insight into pertinent service issues, and perspectives regarding service delivery.

Q Who should be on the team with the SLA Managers?

The makeup of an SLA team varies with the circumstances, but may include, for example, business and technical subject matter experts, other members of the IT or customer organizations, administrative support, facilitators, financial personnel, and (for legal SLAs) representatives from the Legal Department. Some of these people may be full-time team members; others are called upon as needed to provide specialized expertise.

QUESTIONS REGARDING SLA MANAGERS
(continued)

1. Assess whether an SLA is appropriate.
2. Ensure management commitment.
3. ➔ **Designate SLA managers.**
4. Provide SLA education.

Q **If related service provider groups are concurrently establishing SLAs with the same customer organization, should each have its own SLA Manager?**

If the groups serve the same customers or have overlapping service issues, SLA development can easily become a chaotic process, characterized by redundant efforts and contradictory approaches. The process may flow more smoothly with a single SLA Manager supported by others from the related groups.

For example, if several departments in a division will each be establishing an SLA with the same internal business units, one person in the division of can serve as the division SLA Manager. Representatives from the other departments in the division can participate as team members or sources of input, so that their issues and concerns are fairly represented.

STEP 4: PROVIDE SLA EDUCATION

1. Assess whether an SLA is appropriate.
2. Ensure management commitment.
3. Designate SLA managers.
➔ 4. Provide SLA education.

This education is typically carried out by the SLA Managers or outside experts who are assisting with the SLA development effort.

This education about SLAs is important in two ways:

- Lack of familiarity with SLAs. One or both parties is usually unfamiliar with SLAs and may misunderstand how the SLA will affect them. As a result, they may withhold their cooperation, display resistance during SLA development, or refuse to support the completed Agreement.

- Skepticism about SLAs. Some people voice considerable skepticism about SLAs. Further inquiry often reveals a negative experience with an SLA that was unilaterally developed, didn't represent the views of both parties, or wasn't designed to be changed to accommodate changing circumstances. The cynicism of such individuals is understandable given their experiences.

Education helps both of these groups understand the goals and objectives of a properly developed SLA, including what it is designed to accomplish, how they will benefit from it, and the role they can play in creating and managing it.

If the SLA is to succeed, you must sell its purpose and its value to those whose participation or support is necessary to its success. Education is a key component of that sales effort.

WHO AND HOW TO EDUCATE

1. Assess whether an SLA is appropriate.
2. Ensure management commitment.
3. Designate SLA managers.
4. ➔ Provide SLA education.

Any or all of the following groups may need to be educated:

- Service provider management and staff, particularly those with customer contact or direct service delivery responsibilities
- Customer management and staff, particularly those who have service provider contact or are most directly affected by by service quality
- Those who will be asked to review a draft SLA and provide feedback
- Those directly responsible for establishing and implementing the SLA

Methods of providing education

- **Interactive methods** such as presentations, group discussions, and one-on-one or small group meetings work best, because participants can get immediate answers to their questions and their fears and concerns can be addressed.
- **Written descriptions** may help to supplement interactive forms of education, but are generally not effective as the primary method.

What to expect in delivering SLA education

Many recipients of SLA education respond enthusiastically. However, some may display resistance, cynicism, and concern for whether their service issues will get a fair hearing. In delivering this education, it is important to project confidence in presenting information and responding to questions.

TOPICS FOR AN OVERVIEW PRESENTATION

1. Assess whether an SLA is appropriate.
2. Ensure management commitment.
3. Designate SLA managers.
4. ➔ **Provide SLA education.**

The following topics are suggested for an overview presentation to those who are new to or skeptical about SLAs:

- What an SLA is and what it isn't
- The factors driving the decision to create an SLA
- How the SLA will help address existing service concerns
- The anticipated impact of the SLA on those receiving this overview
- The role of the SLA as a living document
- The people championing or sponsoring the SLA
- The people leading or participating in the SLA development effort
- The SLA development process (in brief)
- How recipients of this overview will be kept informed of the status

Review the information in Chapter 1 for other general topics that may be useful for an overview. Add to these any other company- or group-specific issues that are likely to be one the minds of those listening to this overview.

Key Point

The #1 concern of those new to or skeptical of SLAs is:

What's in it for me?

Anticipate this question and be prepared to respond to it.

CHAPTER 8:

DEVELOPMENT CHECKLIST

Chapter Overview:

This chapter presents the six most important steps in the SLA development process:

1. Assess current services.

2. Gather customer feedback.

3. Ensure agreement about the agreement.

4. Develop a draft SLA.

5. Solicit feedback from reviewers.

6. Implement and manage the agreement.

Although other steps may be helpful, they should supplement, not replace, any of these six steps.

STEP 1: ASSESS CURRENT SERVICES

➔ 1. **Assess current services.**
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
6. Implement and manage the agreement.

Before making commitments to customers, service providers must determine the level of service they can realistically provide. Similarly, before eliciting commitments from service providers, customers should review and clarify their service needs and priorities.

For both service providers and customers, this assessment process consists of two primary activities:

- **Look within:** determine what level of service delivery is feasible (for the provider) or is needed (by the customer)

- **Assess your service experience:** assess your experience as a provider in delivering the service, or your experience as a customer in receiving it

The next two pages provide advice to the provider and customer in conducting these assessments.

ASSESSMENT ADVICE FOR PROVIDERS

➔ **1.** **<u>Assess current services.</u>**
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
6. Implement and manage the agreement.

Look within and create a description of services.

Many organizations have never compiled a description of their services, either for their own use or for customers. Doing so often reveals differing viewpoints about what should or should not be on the list. Questions to consider (in addition to those on page 4.7) are:

- What services are you currently offering?
- How can you describe these services so that customers understand them?
- What services, if any, do customers think you provide that you don't?
- What services are you not currently offering that you might want to?
- What additional behind-the-scenes or infrastructure activities do you carry out that may not be visible to customers, but are nevertheless critical?

Assess your service experience.

Review 3 to 6 months of service delivery data. If such data is not available (as is often the case), draw from the tracking suggestions in Chapter 5 and begin tracking now. Using existing service delivery data or your best judgment regarding your service experience, use these questions to guide your assessment:

- How would you characterize your service delivery?
- In what ways has your service delivery been on target?
- In what ways has your service delivery fallen short?
- What aspects of your service delivery need improvement?
- What problems or frustrations have you experienced in service delivery?
- If you could make any changes in your services, what would they be?

ASSESSMENT ADVICE FOR CUSTOMERS

➔ **1. Assess current services.**
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Create a draft SLA.
5. Solicit feedback from reviewers.
6. Implement and manage the agreement.

Look within and review the services you currently receive.

In preparing to discuss services with the provider with whom you are establishing an SLA, gather sufficient information from as many service recipients as possible so as to answer these questions:

- What services are you currently receiving?
- What aspects of these services are confusing or unclear?
- What services are you not currently receiving that you might like?

Evaluate your service experience.

Gather and analyze any available data on the service you have received. Consider these questions:

- How would you characterize the service you've received?
- In what ways has your service delivery been on target?
- In what ways has your service delivery fallen short?
- What aspects of the service you've received need improvement?
- What problems or frustrations have you experienced?
- If you could make any changes in services, what would they be?

STEP 2: GATHER CUSTOMER FEEDBACK

1. Assess current services.
➔ 2. **Gather customer feedback.**
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
6. Implement and manage the agreement.

Before establishing an SLA, it is valuable for providers to gather feedback from customers so that they have first-hand information about customer perceptions and satisfaction. Such feedback improves the provider's understanding about customer concerns and creates a baseline against which to assess customer satisfaction after SLA implementation.

Customer feedback can be obtained in numerous ways, such as:

Surveys

Interviews in person or by phone

Focus groups

Facilitated discussions

Survey data can be valuable in gauging customer perceptions provided it was collected within a year of undertaking the SLA. If such survey data is not available, the best way to quickly gather high-quality in-depth customer feedback is via face-to-face discussions with a selected number of representative customers.

Even if survey data is available, it is advisable to supplement the survey findings with some face-to-face interviews, which will provided information that is both more detailed and more current.

GUIDELINES FOR GATHERING FEEDBACK

1. Assess current services.
➔ **2.** **Gather customer feedback.**
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
6. Implement and manage the agreement.

In gathering customer feedback, keep the following in mind:

- Find out what aspects of your services are most important to your customers (such as timeliness, responsiveness, quality, or up-time), and why. Their responses will help in formulating the service standards for the SLA.

- Ask customers for specific examples or experiences that illustrate their service experience. This qualitative experience is far more valuable in planning the SLA than quantitative ratings and rankings.

- Follow-up to learn more about customers' views. That is, if data is available from prior surveys, follow-up with selected customers to gain a more comprehensive perspective of their service concerns.

- Inform customers about the results of your feedback gathering. Doing so conveys that you are listening to their concerns. It also provides an opportunity to explain that an SLA is being developed to address their concerns, thereby gaining their support for the SLA effort.

My eBook, **40 Frequent Feedback-Gathering Flaws and How to Fix Them**, offers guidance in conducting successful feedback-gathering efforts. Details: www.nkarten.com/feedbackguide.html.

SAMPLE FEEDBACK-GATHERING QUESTIONS

1. Assess current services.
➔ **2. <u>Gather customer feedback.</u>**
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
6. Implement and manage the agreement.

Whether obtained in writing or spoken form, the best feedback typically results from a small number of open-ended questions. Such questions give customers a chance to present their views at length and in their own terms. In spoken feedback, they also give feedback-gatherers a chance to ask follow-up questions in order to seek clarification and additional information.

The following are excellent questions to use or adapt:

1. How would you describe your satisfaction with [specified services] and what are your reasons for this description?

2. In terms of your needs, what are [Service Provider's] most important services, and how well are they being delivered?

3. How would you describe [Service Provider's] strengths?

4. What do you see as opportunities for improvement?

STEP 3: ENSURE AGREEMENT ABOUT THE AGREEMENT

1. Assess current services.
2. Gather customer feedback.
3. ➔ **Ensure agreement about the agreement.**
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
6. Implement and manage the agreement.

The two parties to an SLA often have different views about the role of an SLA and what it can realistically accomplish. Both sets of views may be valid, yet sufficiently different as to cause a breakdown in SLA negotiations.

For example:

- One party may view the SLA as a quick fix, while the other party views it as a long-term relationship-building mechanism.
- One party may want the SLA to reflect more stringent service levels than those currently provided, while the other party may want to initiate the SLA at current service levels and to seek improvements over time.
- Each party may have expectations about benefits the SLA will deliver that are outside the scope of an SLA.
- Each party may have a different idea of what the SLA document should look like and what should be included in it.
- Each party may expect the other to carry more of the workload in developing the agreement.

Therefore, before the SLA effort begins, it is advisable for high level representatives of the two parties to meet, compare their views, and ensure they have a shared understanding.

In the absence of this shared understanding, the SLA effort is unlikely to succeed.

STEP 4: DEVELOP A DRAFT SLA

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. ➔ **Develop a draft SLA.**
5. Solicit feedback from reviewers.
6. Implement and manage the agreement.

In this step, the goal of the SLA Managers is to develop a draft SLA which they can distribute to members of both organizations to obtain feedback and generate buy-in. Developing the draft is an iterative process of discussing, negotiating, information-gathering, and revising until the document represents the best interests of the two organizations.

It is advisable for the two SLA Managers to set the stage for this development effort with an open discussion about

- SLA goals and objectives
- Their background and experience with SLAs
- The directives they have received from their management
- The current relationship between the two parties
- Potential impediments or obstacles in developing the SLA
- Communication styles and preferences that could have a bearing on how they work together in developing the SLA

In addition, the SLA Managers need to make decisions about:

- How the work of establishing the agreement will be divided up
- How often they will meet, and how they will stay in touch between meetings
- What target dates they will set, and how they will track their progress
- When and how they will seek management feedback on the draft

FIRST DEVELOP THE BIG PICTURE

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. ➔ **Develop a draft SLA**.
5. Solicit feedback from reviewers.
6. Implement and manage the agreement.

Regardless of whether the SLA Managers plan to involve other members of their organizations in developing the draft, they maybe be able to expedite the development process if they first complete the following tasks themselves:

- **Develop a proposed structure for the SLA document.**

  This structure may be based on existing SLAs, past experience, the SLAs in this book, or a structure they jointly design. Although this structure may change as the content is developed, it provides a prototype to work from.

- **List the services and service standards to be addressed in the SLA.**

  This list includes the types of service standards that seem pertinent, such as response time and throughput for a Data Center SLA or problem acknowledgment and resolution commitments for a Help Desk SLA. The resulting list provides a good starting point for developing the draft.

- **Develop the general wording of the draft.**

  However, it may be wise to omit specific numbers from the service commitments until all participants have had a chance to specify their service needs.

- **Select a meeting format for reviewing the service issues in the draft.**

  Identify the best method of involving other members of each organization so that they have an opportunity to describe their needs and express their views. The next page describes some typical formats.

SELECT A MEETING FORMAT

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. ➔ **Develop a draft SLA**.
5. Solicit feedback from reviewers.
6. Implement and manage the agreement.

Approaches for meeting to negotiate the content of the SLA include:

- **Small group meetings.** Hold separate negotiating sessions with groups from the provider and the customer organization.
    - **Chief advantage:** This approach avoids controversy between provider and customer groups, and helps the SLA Managers gain insight into the issues and concerns of each group in a way that might not be forthcoming in a larger group setting.
    - **Chief disadvantage:** This approach can be very time-consuming, since it entails repeat visits to each group as the content of the SLA is revised to incorporate the interests of each group.
- **The committee approach**. Create a committee of participants from both parties, and negotiate the SLA as a group.
    - **Chief advantage:** In small groups, this approach can be both effective and enlightening, as participants become aware of their shared interests as well as the need for a compromise on selected issues.
    - **Chief disadvantage:** In large or adversarial groups, this approach can lead to endless bickering and difficulty in reaching closure.
- **Negotiation by the SLA Managers**. Limit draft preparation to the SLA Managers, with participation or input by others as deemed necessary.
    - **Chief advantage:** This approach is the most focused and expeditious.
    - **Chief disadvantage:** Other members of either group may feel left out or ignored, and withhold support from the resulting SLA.

DEVELOPMENT TIPS

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. ➔ **Develop a draft SLA**.
5. Solicit feedback from reviewers.
6. Implement and manage the agreement.

In meeting, discussing, and completing a draft document, SLA developers should strive to maintain a win-win attitude. Keep these points in mind:

- Be sure you know what your organization wants from the SLA. Take the time to develop an understanding of the pertinent points *before* discussions begin.

- Clarify terminology to avoid misunderstandings and misinterpretations. It is extremely common for two parties to use the same words to mean different things — and extremely easy to be unaware of these differences until problems arise.

- Listen carefully to the other party's perspective. Try to put yourself in their place and consider their points accordingly.

- Ask questions to better understand the other party's needs. Take advantage of the opportunity to broaden your perspective of the other organization's service issues, priorities and concerns.

- Don't be rigid about sticking to the subject. Often, while discussing issues pertinent to the SLA, other topics emerge that help each party better understand the other's context. Such discussion is not a time-waster; such growth in understand builds trust and improves the odds of a successful SLA.

- Devise options that reflect the needs of both parties. Seek opportunities for compromise. Avoid taking all-or-nothing positions.

STEP 5: SOLICIT FEEDBACK FROM REVIEWERS

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. ➔ **Solicit feedback from reviewers.**
6. Implement and manage the agreement.

A draft SLA does not become a final SLA until individuals representing both parties have had an opportunity to review the draft, raise questions, and offer suggestions.

This step is important in gaining the support, cooperation and buy-in of these individuals. If properly carried out, this review process generates extensive useful feedback, which improves the quality of the final document.

Each SLA Manager is responsible for overseeing the review process within his or her own organization.

Be sure that the draft is clearly labeled as "draft" or "proposal for review" or some other designation that indicates that it is not the final agreement; it is simply a starting point for soliciting feedback.

The next two pages provide detailed guidelines for carrying out this feedback process.

GUIDELINES FOR SOLICITING REVIEWER FEEDBACK

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
➔ **5.** **Solicit feedback from reviewers.**
6. Implement and manage the agreement.

The following steps, which are carried out by the SLA Managers, describe how to conduct an effective feedback process:

- **Identify the reviewers.** Ideally, everyone who has responsibility for the success of the SLA is given the opportunity to review the draft. As a practical matter, the review is typically conducted by managers or other high-level professionals, who may involve their subordinates if they so choose. It is also helpful to have the SLA reviewed by a few individuals who have no SLA-related responsibilities, but whose very objectivity and distance from the issue often lead to valuable observations and suggestions.

- **If possible, hold a meeting of all the reviewers in the organization.** It is easier to carry out the following steps with all reviewers present as a group than with each one individually. It is advisable for each organization to hold this meeting separately, so that reviewers can raise questions and concerns that they may withhold in the presence of members of the other organization.

  - **Describe the purpose of the review.** Explain the importance of reviewer feedback in ensuring the SLA reflects their concerns, has no critical gaps or omissions, is error-free, and is clear and understandable.

  - **Provide background on the SLA.** Describe what an SLA is and is not, and review the development process**.**

  - **Give each reviewer a copy of the draft.** It may be best not to distribute this draft until you've provided the background information, so that reviewers are not tempted to start scanning it while other important information is being presented.

GUIDELINES FOR SOLICITING REVIEWER FEEDBACK
(continued)

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. ➔ **<u>Solicit feedback from reviewers.</u>**
6. Implement and manage the agreement.

- ✓ **Review the structure of the SLA.** This information helps to connect the background information previously provided with the actual draft SLA and facilitates their subsequent review.

- ✓ **Explain selected portions of the draft SLA.** In particular, focus on any controversial items. Although the SLA Managers may have held extensive discussions on these items before reaching agreement, this is the reviewers' first look at these items, so help them understand the thought process that led to the issue being resolved as it was.

- ✓ **Provide evaluation criteria.** Use the criteria on page 6.3 or other pertinent criteria to explain to reviewers what you would like them to focus on. Provide a small number of specific questions to guide their review process. The more specific the questions you ask them to consider, the better their feedback will be.

- ✓ **Provide a time limit for the review process.** It is important to give reviewers neither too much time nor too little. Too little and they simply won't bother. Too much and they'll put it off till the last minute. Some- where between one and three weeks usually works best in creating a sense of urgency without imposing excessive pressure.

- ✓ **Explain the form the feedback should take.** Possibilities include written comments on the draft, feedback by email, a group discussion, one-on-one meetings, and meetings with functional groups. It is not necessary for the two SLA Managers to use the same approach; each can use whatever approach will work best in that environment.

STEP 6: IMPLEMENT AND MANAGE THE AGREEMENT

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.

➔ 6. **Implement and manage the agreement.**

This final step is divided into these activities:

- Finalize the SLA based on reviewer feedback
- Complete pre-implementation activities
- Conduct a pilot (an optional activity)
- Sign the Agreement
- Manage the implemented Agreement

FINALIZE THE AGREEMENT

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
➔ **6.** **Implement and manage the agreement.**

Upon completion of the reviewer feedback process, each SLA Manager must review the feedback and seek additional clarification, if needed. The two SLA Managers then review the feedback, negotiate additional changes based on this feedback, and gain any pertinent management or other approvals.

A caveat for SLA Managers: Despite the effort SLA Managers may have put into developing the draft (or perhaps because of it), they are often unable to see its flaws. As a result, they may be surprised by the extensive amount feedback they receive, which typically ranges minor concerns (typos and formatting inconsistencies) to conditions that were not taken into account to high level concerns about responsibilities and commitments.

This feedback greatly improves the quality of the SLA for two reasons:

- The draft SLA has now been reviewed my numerous individuals, each of whom offers feedback based on his/her particular perspective.

- The opportunity to have some input into the SLA tends to increase these individuals' sense of ownership of the final document and the services it describes. As a result of being invited to participate in the development process, many are likely to feel a greater stake in the success of the SLA.

COMPLETE PRE-IMPLEMENTATION ACTIVITIES

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
➔ **6. <u>Implement and manage the agreement.</u>**

Identify all activities which must be completed before implementation, and take steps to carry them out. Ideally, such activities can be identified during the SLA development process, so that (where possible) work can begin before the SLA is finalized.

Pre-implementations activities may include these:

- ✓ Develop tracking mechanisms.
- ✓ Establish reporting processes.
- ✓ Develop any procedures needed to help carry out stated responsibilities.
- ✓ Prepare any pertinent documentation.
- ✓ Communicate with those responsible for meeting service standards and carrying out provisions of the Agreement.
- ✓ Ensure that all appropriate parties are aware of the Agreement and understand its impact on them.
- ✓ Establish plans for periodic reviews.
- ✓ Establish and communicate an implementation date.
- ✓ Conduct a pilot, if desired.

CONDUCT A PILOT

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
6. ➔ **Implement and manage the agreement.**

Some organizations prefer to test the terms and conditions of the SLA in pilot mode prior to full-scale implementation. If this is your preference:

- **Be clear about the reasons for running a pilot.**

  The pilot is an opportunity to learn. Its purpose is

  - to gain experience in meeting the service standards described in the SLA
  - to gain feedback about any problems that may exist either in the delivery of services or in the Agreement itself
  - to make adjustments, as needed, either to services or to the Agreement.

- **Establish a pilot period.**

  The pilot period may vary from 1 to 3 months for a relatively simple SLA and 3 to 6 months for a more complex SLA.

- **Select a pilot format.**

  In a customer-focused pilot, you pilot the full SLA with one or two specific customer groups.

  In a service-focused pilot, you select one or two particular services to pilot with the entire customer community.

GUIDELINES FOR CONDUCTING A PILOT

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
6. ➔ **Implement and manage the agreement.**

What to Do	How to Do It
1. Select participants for the pilot.	Look for those who are willing to tolerate possible flaws in return for the opportunity to be early participants.
2. Design the pilot to mirror the planned operation of the SLA after implementation.	Carry out activities as though the SLA is fully in effect, so that the remaining services or customers can later be phased in with minimal impact.
3. Establish acceptance criteria that can be used to assess the success of the pilot.	Criteria might include such things as the ability to meet stated service levels, the adequacy of the tracking system, and the willingness of both parties to abide by the Agreement.
4. Establish methods of gaining written or verbal feedback.	Methods include surveys, discussions, and feedback forms. Collect feedback both from those running the pilot and those participating in it.
5. Assess the success of the pilot in meeting the agreed upon criteria.	Determine if the SLA is ready for implementation. If not, make adjustments and continue the pilot, perhaps with additional customers or services.

SIGN THE AGREEMENT

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
6. ➔ **Implement and manage the agreement.**

For most organizations, obtaining signatures on the SLA is a routine, no-big-deal final step in the development process. Some organizations, however, like to make it an occasion for celebration. Celebrating the completion and signing of the SLA document has several benefits:

- It communicates the importance of the undertaking, and recognizes the accomplishment of those who contributed to it.
- It emphasizes the importance of the relationship between the two parties.
- If the relationship between the two parties has been strained, it demonstrates that it is now moving forward in a positive, optimistic, collaborative frame of mind.

Some organizations have an official signing with all signers present, as well as other members of both organizations, and in some cases, a reporter and photographer from the in-house newspaper who help to publicize the event.

For a formal signing, plan ahead so that all signers are available to attend. To ensure their availability, it may be necessary to schedule the event well in advance. Some organizations have found that scheduling the signing helped to expedite the pre-implementation process: no one wanted to have to reschedule because of the difficulty of finding another date convenient to all involved.

MANAGE THE AGREEMENT

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
6. ➔ **Implement and manage the agreement.**

An SLA that is not managed dies upon implementation. If it is to truly be a living document, it *must* be managed. Doing so is the responsibility of each party's SLA Manager.

In some organizations, one person serves as SLA Manager for the development process, and another one manages the SLA after implementation. When this is the case, both should ideally possess the attributes listed in page 7.6.

Responsibilities for managing the SLA are listed on the next page. Do *not* underestimate the scope of this responsibility:

- For SLA Managers who oversee SLAs with many different customers, the role may be a full-time job, particularly if customers are geographically dispersed.

- Often, service delivery under the SLA sheds light on numerous service issues that require attention, adding to the workloads of both the SLA managers and the staff responsible for carrying out the associated service improvements

- The periodic review process alone can be very laborious if it entails travel to each customer site. The time involved in travel, combined with the review process itself, documentation of the review, and overseeing or monitoring the resulting adjustments to service, add up quickly.

RESPONSIBILITIES IN MANAGING AN SLA

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
➔ **6.** **Implement and manage the agreement.**

The responsibilities of the SLA Manager may include, but are not limited to:

- Serving as a point of contact for problems related to the agreement
- Maintaining ongoing contact with the SLA Manager of the other party
- Planning and conducting service reviews
- Coordinating and implementing modifications to service delivery and to the SLA itself
- Conducting customer satisfaction surveys
- Assessing and reporting on how the two parties can further enhance their working relationship
- Keeping management informed of any concerns regarding conformance to the provisions of the SLA
- Planning classes designed to foster an improved service attitude, create an enhanced awareness of the elements of high-quality customer service, and provide skills in service delivery
- Overseeing ongoing relationship-building efforts designed to help members of the two parties meet each other, discuss their concerns, and work together in a supportive and cooperative manner

ADVANTAGES & DISADVANTAGES OF ONLINE SLAs

1. Assess current services.
2. Gather customer feedback.
3. Ensure agreement about the agreement.
4. Develop a draft SLA.
5. Solicit feedback from reviewers.
6. ➔ **<u>Implement and manage the agreement.</u>**

There are both advantages and disadvantages of posting your SLAs online, such as on your internal website:

- **Ease of access.** The ease of accessing an online SLA is both a plus and a minus. On the plus side, those not involved in creating or managing the SLA are more likely to take a look at it. On the minus side, in the absence of an understanding of the process by which any given SLA was created, people may misinterpret key provisions or fail to appreciate the compromises that went into achieving a meeting of the minds.

- **Ease of making modifications.** An online SLA avoids the need to print and distribute successive revisions. But it is highly advisable for online SLAs to have a change log that summarizes changes that have been made.

- **References to related items.** A web-based SLA can easily reference other documents through links to those documents. In addition, terms defined in a glossary can be highlighted as links, thereby alerting readers to the presence of definitions and providing one-click access to these definitions. This approach makes it much more likely that readers will view the definitions than when the glossary is elsewhere in a lengthy printed document.

- **Responsibility.** As with a printed SLA, a web-based SLA requires that some-one has responsibility for maintaining it, making changes to it, providing or modifying any required access restrictions, and so on.

CHAPTER 9:

SERVICES AND RESOURCES BY NAOMI KARTEN

Chapter Overview:

This chapter describes my services and resources and how to obtain additional information about any that are of interest.

SLA Services and Resources

Books, Handbooks and Guides

- **Handbook:** ***How to Establish Service Level Agreements***: This eBook provides detailed information on the elements of an SLA and their functions, the process of creating an SLA, and recommendations for avoiding the flaws and failures that many organizations experience. Includes numerous examples and two SLAs for evaluation purposes. **www.nkarten.com/book2.html**
- **Guide:** ***Why SLAs Fail and How to Make Yours Succeed***: An eBook that describes key reasons SLAs fail, and what to do to avoid these situations and improve the odds of success. **www.nkarten.com/book2.html**
- **Guide:** ***An SLA Template and How to Use It***: An eBook that presents an SLA template and offers guidelines, recommendations and examples for how to turn the template into a completed SLA. **www.nkarten.com/book2.html**
- **Guide:** ***How to Critique and Strengthen Your SLAs***: An eBook that describes and explains evaluation criteria to use in assessing and enhancing your SLA documents. **www.nkarten.com/book2.html**
- **Book:** ***Communication Gaps and How to Close Them***: A book featuring a chapter entitled "Service Level Agreements: A Powerful Communication Tool" **www.nkarten.com/book2.html**.

Articles

- Articles on SLAs and related topics: **www.nkarten.com/indepth.html**
- An SLA FAQ page: **www.nkarten.com/slafaq.html**
- Articles on SLAs from my newsletter, **PERCEPTIONS & REALITIES,** at: **www.nkarten.com/SLAarticles.pdf**. Numerous issues of this newsletter are posted at: **www.nkarten.com/newslet.html**.

SLA Training and Consulting Services

- An overview of my SLA services: **www.nkarten.com/slaservices.html** and a print version: **www.nkarten.com/SLAservices.pdf**
- A review of your draft or operational SLA with detailed feedback and recommendations by email. For details, contact me at naomi@nkarten.com.

TRAINING IN HOW TO ESTABLISH SLAs

Would a Workshop Help You Expedite Your SLA Effort?

This workshop focuses on the SLA as both a process and a product, and is customized to address your specific issues and concerns.

This information-packed workshop includes lecture, discussion, case studies and practice sessions to help you to quickly develop SLA expertise and to understand:

- What an SLA realistically can and cannot accomplish
- What makes an SLA work well — or not so well
- The key elements of an SLA and their functions
- How to plan, develop, and manage an SLA
- The wording to use in an SLA
- How to avoid the pitfalls that cause so many SLAs to fail
- What to look for in critiquing an SLA
- What you must do to be successful in establishing your own SLA

And also . . .

Would you like feedback on your draft or existing SLAs? I perform SLA evaluations and provide detailed feedback and recommendations by email.

Contact me if you'd like additional information. I'd enjoy being of assistance.

Naomi Karten
781-986-8148
naomi@nkarten.com

NAOMI KARTEN

Speaker, Consultant, Author

NAOMI KARTEN

781-986-8148, **naomi@nkarten.com**, **www.nkarten.com**

I work with organizations that want to improve customer satisfaction and with groups that want to work together more amicably. My services include seminars, presentations, consulting, and coaching. I have given seminars and presentations to *more than 100,000 people* in the US, Canada, and Europe, as well as Japan and Hong Kong. I've published several books, handbooks and guides, and more than 300 articles. Readers have described my newsletter, PERCEPTIONS & REALITIES, as lively, informative and a breath of fresh air. Prior to forming my business in 1984, I earned a B.A. and an M.A. in psychology and gained extensive corporate experience in technical and management positions.

SEMINAR TOPICS

- Managing Customer Expectations
- Establishing Service Level Agreements
- Introducing, Managing and Coping with Change
- Introverts and Extroverts in the Workplace
- Consulting and Communication Skills

and more. Details: www.nkarten.com/sem2.html

PRESENTATION TOPICS

- Tales of Whoa and The Psychology of Customer Satisfaction
- Black Holes and the Art of Managing Customer Expectations
- Why SLAs Fail — and How to Make Yours Succeed
- 40 Frequent Feedback-Gathering Flaws and How to Fix Them
- Changing How You Communicate During Change

and more. Details: www.nkarten.com/pres2.html

BOOKS & OTHER WRITTEN RESOURCES

- PERCEPTIONS & REALITIES newsletter:
  For your enjoyment: www.nkarten.com/newslet.html
- Managing Expectations: Working with People Who Want More, Better, Faster, Sooner, NOW!
- Communication Gaps and How to Close Them
- How to Establish Service Level Agreements
- 40 Frequent Feedback-Gathering Flaws and How to Fix Them
- How to Survive, Excel and Advance as an Introvert

and more. Details: www.nkarten.com/book2.html

SAMPLE CLIENTS

Wyeth
Teradyne
Hewlett-Packard
Farmers Insurance
Pioneer Hi-Bred International
Middlebury College
Zurich Insurance
Merrill Lynch
FAA
Forest Service
ING
SSM Healthcare
Convergys
Motorola
Guardian Life of the Caribbean

A LITTLE LIGHT READING

For a set of articles that will tickle your fancy, see:
www.nkarten.com/fancytickling.pdf

PLEASE . . .

get in touch to discuss how I can help you, or just to say hi. I'd enjoy hearing from you.

Naomi Karten

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