# White Paper:

# Service Level Management
## *Essential Techniques for Developing and Managing Effective SLAs*

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**Executive Summary:** The Service Level Management Process represents the heart of any IT Service Management program, as it deals with managing customer expectations and defining – specifically – the level of service to be provided.  In cloud based or multi sourced environments this is of particular importance, since accountability for the end to end service still remains with the IT organization even as control and responsibility for the component parts decreases.  This paper discusses the challenge of meeting customer expectations and reducing waste while providing actionable techniques for successfully developing and managing effective Service Level Agreements (SLAs).

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## Introduction

*"If you aim at nothing… you will hit it every time. " -Zig Ziglar*

IT organizations have long delivered services on a "best efforts" basis: we work hard to deliver the best service we can with our current resources and constraints. Unfortunately, the service levels produced from this (often heroic) effort are seldom in alignment with the (often undefined) expectations of the IT customer.

The default customer expectation for IT services looks something like this: Everything, all the time, instantly, at no cost. But why shouldn't this be the expectation? With no clear delineation of the relationship between high availability and increased cost, for example, any rational customer would choose the highest possible availability. Should my desktop computing services deliver 24x7x365 availability? Sure – why not?

## Perception vs. Reality

The problem, of course, is that 100% availability is a theoretical impossibility. Even approaching that number would be prohibitively expensive (and inconvenient) at the desktop. So, we have a default expectation that is somewhere between improbable and impossible. Any service provider is guaranteed to fail in this scenario – customer expectations will not be met, so customer satisfaction will suffer. It helps to keep the following equation in mind:

**Customer Satisfaction = Perception – Expectations**

In other words, the customer's *perception* of the level of service received must be greater than or equal to the customer's *expectations* in order for there to be a positive customer experience. Therefore, there are really two ways to improve (increase) Customer Satisfaction: increase perception, or manage expectations. Service Level Management helps with both of the above.

*There are really two ways to increase customer satisfaction: improve perception, or manage expectations.*

Clear definition as to the level of service required to meet business needs allows the service provider to set realistic targets (and manage expectations) while reducing waste caused by over provisioning. After all, it's not likely that I

actually need my desktop to be available 24x7x365.  It's possible that 6am to 8pm Monday through Friday would be just fine, and that presents a target the service provider can actually hit.  In fact, given regular patching and maintenance windows, a very high level of availability can likely be delivered during the specified hours of service.

## 5 Keys to Developing and Managing Effective SLAs

When service levels are defined and agreed upon, they are documented in Service Level Agreements (SLAs).  The following are 5 keys to developing and managing effective SLAs:

**Service Level…Agreement.**   When Service Level Management fails as a process, the root cause can often be traced to a simple failure to properly understand an acronym.  The "A" in "SLA" stands for…Agreement.  An SLA is meant to document an agreement *that already exists* between two parties.  It is not meant to be used as a club to beat the other side over the head with - an SLA written by one party (either the IT Service Provider or the IT Customer) without the input of the other party is essentially meaningless.

*An SLA written by one party without the input of the other is essentially meaningless.*

As a side note, I generally advise against including penalties or other punitive provisions within an SLA. The goal here is to improve the ongoing relationship between the IT service provider and the IT customer, so any failure or breach is better treated as an opportunity to adapt and improve (more on this below).  IT and the business are ultimately on the same side and share the same goals; defining specific consequences for failure can lead to an adversarial relationship.

**Set measurable targets.**   Nothing should go into a Service Level Agreement unless it can be objectively measured.  It is important to be specific here.  You would never order ten thousand blue t-shirts without specifying what "blue" means – you might get something that was exactly as requested but still very different from what you actually wanted.  Likewise an SLA should specify what exactly defines a service as "up" vs. "down", "slow" vs. "responsive", and so forth.  Remember, however, that an SLA is neither a technical document nor a legal document – keep the language in clear, business English.

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**Adapt and evolve.**   Modern business environments and service requirements change frequently (constantly?), so SLAs need to be flexible.  Once the original agreement has been reached, it's not enough to simply create a document and put it on a shelf.  Each SLA should be reviewed on a regular basis to ensure continued alignment with current business needs.  I prefer to conduct review sessions with customers on a monthly basis, but they should be done quarterly at a minimum.

Performing Service Level Reviews can dramatically improve the overall relationship between IT and the business.  From the customer perspective, this activity offers a communication channel which might not otherwise exist consistently.  Customers get the sense that IT is listening, and that their concerns are being heard.

*IT is often invisible during periods of success - and highly visible during outages and failures.*

This activity can benefit the IT Service Provider as well as the customer.  IT is often invisible during periods of success and highly visible during outages or failures.  Reviewing service achievements against agreed targets on a regular basis can provide an opportunity for the IT organization to advertise success - and improve perception.

If conditions or resources within IT have changed such that a previously agreed service level is no longer realistic, it is better to renegotiate the SLA to incorporate the new reality than to continually breach an unrealistic target.

**Measure the right things.**  Just because we *can* measure something doesn't mean we necessarily *should.*   If a particular target is not important from a customer or IT perspective, leave it out.  The metrics defined in Service Level Agreements will ultimately shape individual actions and behaviors – make sure they are behaviors you want to reinforce.

**Support your local SLA.**   Most of us operate in complex, multi-sourced environments – it's a rare service indeed that is controlled end to end by a single group.  Rather, most services depend on multiple functional teams within the service provider organization to provide individual pieces of a service, with other pieces sourced from external suppliers, manufacturers, and vendors.  Ensuring

quality of the end to end service, then, becomes a challenging exercise in managing all of these component parts.

It's worth noting that while IT organizations may outsource *responsibility* for delivering some or all of a particular service, *accountability* does not transfer to a third party – customers still hold the IT organization accountable for the results of a service, regardless of who does the work or owns the infrastructure. Thus, Service Level Management is particularly important when using cloud based services, where responsibility and control over a service can be greatly decreased but accountability remains.

A clear and unambiguous understanding of roles and responsibilities among involved parties is essential, and these roles are documented in other types of agreements: Operational Level Agreements (OLAs) with internal teams, and Underpinning Contracts (UCs) with external parties. The SLAs supported by these agreements should be kept in mind at the time of negotiation (particularly with external suppliers, as Underpinning Contracts can be difficult to modify later).

*Service Level Management is particularly important when using the cloud, where responsibility and control over a service can be greatly decreased but accountability remains.*

An understanding of existing OLAs and Contracts is also necessary during SLA negotiations. Imagine, for example, a service with an SLA stipulating a one hour timescale to restore service after a failure. What if that service depends on hardware with a support contract stipulating four hour replacement of failed components? Clearly the one hour time to restore service is not realistic under certain scenarios (i.e. hardware failure). There are three possible approaches to this situation:

a) Renegotiate the hardware support contract to reflect the needs of the supported service. This is theoretically possible, but in reality it's unlikely to be the approach of choice for a number of reasons.
b) Renegotiate the SLA to stipulate a one hour restoration of service for non hardware failures, and a longer timescale for hardware driven failures. This might be acceptable for some services.

c) Resolve the contradiction through architecture. The longer timescale for hardware replacement could signal the need for redundant or spare equipment. This approach will impact the overall cost of service provision, so options b) and c) should be discussed with the customer with that in mind. Ultimately the decision between these two options should be a business decision based on the criticality of the service vs. the cost of the higher availability solution.

A similar situation could be envisioned with internal teams. In order to support the one hour target for restoration of service in the SLA referenced above, internal agreements will need to be in alignment. For example, an OLA between the Service Desk and Level 2 Support teams would stipulate (among other things) a response time for escalated incidents. The response time in this OLA would likely need to be substantially less than one hour in order to meet the supported SLA target.

## Next Steps

Getting started with Service Level Agreements can be a daunting prospect. Don't try to boil the ocean – start with a few "generic" SLAs (Gold, Silver, Bronze), and categorize existing services under one of the above. Then, as you mature and improve the process you can go through your service catalog and create more targeted SLAs for specific services.

Another approach would be to create the second round of SLAs based on individual customer groups, with one SLA for each group, detailing all of the services used by that group. This obviously leads to longer documents, but it can be simpler in a way since there is often only one signature required for each group and one party to negotiate with.

> *If you're not having the conversation with your customers and defining specific service levels, the status quo is a losing proposition.*

The important thing is to get started. Don't assume you know what your customers need - if you're not having the conversation with your customers and defining specific service levels, the status quo is a losing proposition. True, two party SLAs can improve customer satisfaction and reduce waste while making IT just a tiny bit less chaotic. Good luck!
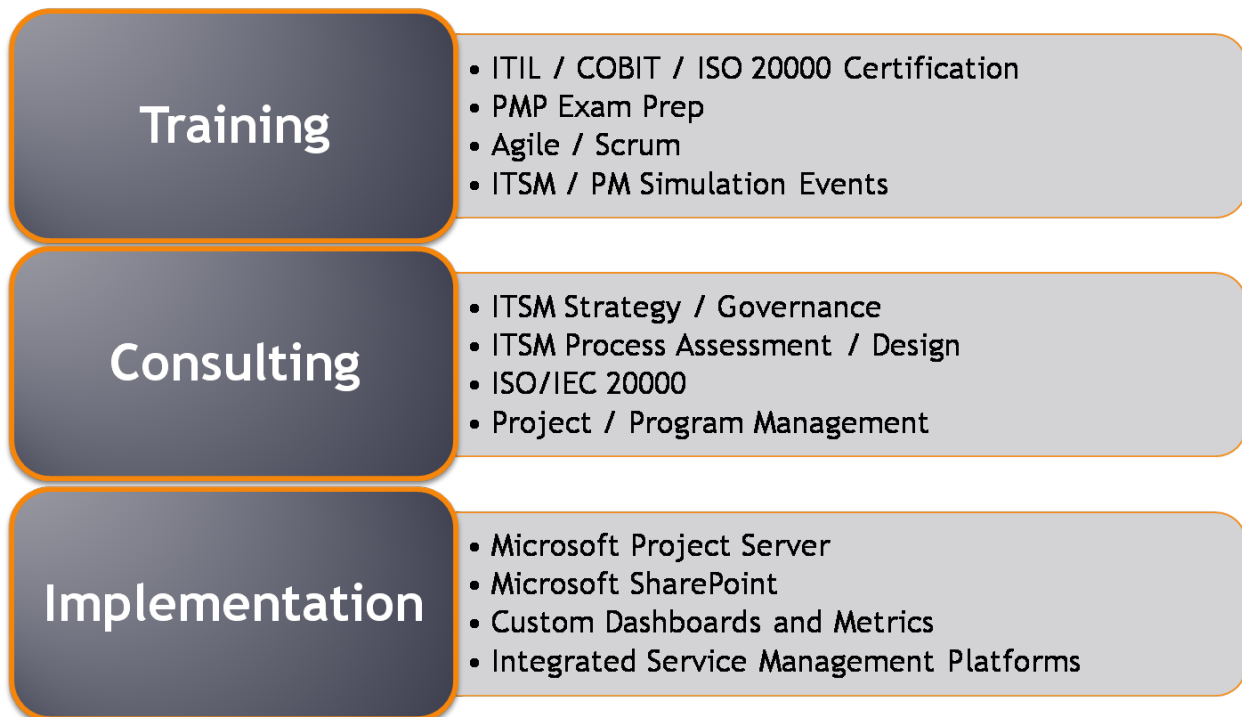
## About Beyond20

A recent study showed that **80% of all mission critical IT service downtime directly results from "people and process" failures** – only 20% collectively results from software glitches, hardware failures, natural disasters, etc!  We believe that reliable software and hardware is essential, but as a professional services firm specializing in improving people and processes, our solutions focus on the other 80% - Beyond20.

## Our Mission

Beyond20 was founded on the belief that IT Services should be measured according to the outcomes they support, and that technology is not an end unto itself.  Processes do not have to be bureaucratic, and *good* processes can be a powerful enabler.    Our people and our reputation are our most valuable assets.

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