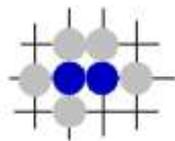


# ***Is Your Organisation Ready for SLAs?***

***(How not to set up an SLA)***



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## ***Introduction***

A service level agreement (SLA) can be an extremely effective communications tool for creating a common understanding between two parties regarding services, expectations, responsibilities and priorities. However, if it is established at the wrong time, for the wrong reasons, or in the wrong way, it can create bigger problems than those it is trying to solve.

Many organizations however, are not ready to establish SLAs, even though there may be compelling reasons why management wants to implement SLAs in their organization. Setting up SLAs before the organization is ready, or for the wrong reasons, is a recipe for disaster – and the marketplace is littered with numerous examples.

SLAs are just as important for internal services as they are for external services. Although the customers and consumers are part of the same organization they will be typically in a different department with different goals & objectives, their own budgets and their own very specific reasons for wanting services. As such, an organisation's internal service providers still need to set up and maintain SLAs with their internal customers and consumers.

There are many reasons why service providers, both internal and external, want to set up SLAs. This paper looks at some of these reasons and provides a roadmap for organisations to see whether they are ready to set them up.

## ***The Wrong Time***

Service providers sometimes want to create an SLA to suppress customer complaints; however, attempting to establish an SLA with complaining customers usually backfires because customers will see it as just one more thing to complain about. Before engaging in SLA efforts, the service provider should obtain customer feedback, seek to understand the complaints, and take some small but visible steps to resolve the complaints. The timing may then be better to establish an SLA.

Sometimes it's the complaining customer who initiates the SLA. Dissatisfied customers may hope to use an SLA as a sledgehammer with which to bludgeon the service provider whenever service slips.

But just as the service provider won't win customer favor by using an SLA as a complaint-stopper, neither will the customer experience service improvements by using the SLA as a club. Before engaging in SLA efforts, the customer must clearly communicate the impact of the faulty service and the changes needed. The customer must also try to appreciate what the service provider realistically can and cannot accomplish.

When a relationship is plagued by distrust and finger-pointing, it's not the right time to establish an SLA. First fix the underlying problems, then establish the SLA.

***The Wrong Reason***

An effort is sometimes undertaken to establish an SLA when something less complex will suffice. For example, in many companies the division of roles and responsibilities between offices or departments is vague at best.

A manager at one of my SLA seminars provided a perfect example. The confusion within his own regional office about who did what was compounded by the confusion between regions – including those in other countries. He described a situation of redundant responsibilities across organizational boundaries, gaps in responsibilities across geographical boundaries, ambiguous job descriptions, and roles that changed daily. Sound familiar?

This fellow came to the seminar thinking that an SLA would solve these problems. By the end, he concluded that what was needed was not an SLA, but clarification within and between offices. Since achieving clarity about services, functions and responsibilities is essential to SLA success, it's a worthwhile starting point whether or not a full-blown SLA is ultimately needed. And if clarity solves the immediate problem, then more time can be taken to work out the best method for setting up the SLAs between the various parts of the organisation.

### ***The Wrong Way***

Most SLAs are initiated and unilaterally established by service providers. The customer is given little or no say about either the content of the SLA or the process by which it is established or managed. This is the wrong way to be successful with an SLA. Very simply, if the two parties have not agreed, it's not an agreement, and it shouldn't be called an agreement. The resulting document may still serve a useful purpose, but it's *not* an agreement.

The very essence of an SLA is that both parties have a say. In practice, it is rarely practical or feasible for both parties to be involved in every step of creating the agreement. However, a successful SLA is one in which the two parties collaborate. When the process is truly collaborative, the resulting document can be filed away and largely ignored because the two parties have already succeeded in learning how to work together. And that's the right way.

### ***The Right way to set up an SLA***

A service level agreement is an excellent tool for helping two parties improve communications, manage expectations, clarify responsibilities and build the foundation for a win-win relationship. However, establishing an agreement is neither a quick nor a simple process. Having worked with numerous organizations internationally on establishing SLAs, I recommend paying particular attention to the following key steps:

#### **1. Gather background information**

Both the customer and the service provider need to start by gathering information so that each has a solid basis from which to negotiate. Before eliciting commitments from their service provider, customers should carefully review and clarify their service needs and priorities. And before making any commitments to customers, service providers should examine their service history and determine the level of service they can realistically provide. In addition, service providers should assess customer satisfaction so as to clearly understand customer concerns and establish a baseline for assessing service improvements.

## **2. Ensure agreement about the agreement**

The two parties to an agreement often have different views about the role of the 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. Before any SLA development work is done, it is advisable for the two parties to hold an open discussion to ensure that they have a basic level of agreement *about* the agreement. If they don't – and until they do – any further SLA effort may prove futile.

## **3. Establish ground rules for working together**

In this critical, but often overlooked, step the SLA developers (those assigned to negotiate the SLA) focus not on the agreement, but on the process by which they will work together to create the agreement. Issues to be discussed include the division of responsibility for development tasks, scheduling issues and constraints, and concerns regarding potential impediments. In addition, the developers can benefit greatly by discussing their communication styles and preferences. By identifying similarities and differences right up front, they will be in an excellent position to minimize conflict.

## **4. Define Your Services**

This is one of the most important steps in setting up an SLA, and it's one of the most frequently overlooked and underestimated areas in terms of time and effort. If you don't have your services defined – and defined well, your SLA is almost guaranteed to fail. I've worked with numerous organizations since the early 1990s in assisting them with their SLAs. Poor service definitions are by far the single biggest cause for SLA failure.

Getting your services well defined is no small task – it can take between 8 and 24 hours to properly define a service. And that definition must be clear, concise and comprehensive. In another paper I describe what must be in a service definition.

## **5. Identify the *True* Key Performance Measures**

One of the most important aspects of an SLA that's also frequently overlooked is the word "Level" in the SLA. What is the level of service that you require as part of the SLA, and crucially, how will measure the service provider's performance against that level of service delivery? In measuring service performance, you need to ensure you measure both dimensions of service quality – the quality of service outcome as well as the quality of service delivery. In other words, did the delivery of the service achieve the desired outcome, AND how well was the service delivered (i.e. according to agreed processes and procedures)?

Many organizations set up KPIs to measure service performance. If you have say 50 – 70 services however ( a typical number in a good SLA), you don't want to have to measure a similar number of KPIs – it would be too costly. Rather, from all the services, you should choose those that are crucial to supporting your organisation's goals and objectives and establish them as your KPIs.

## **6. Develop the agreement**

This is but one step in the process of establishing an SLA; it's *not* the entire process. In this step, the two parties create a structure for the SLA document and then discuss, debate, negotiate and, over time, reach agreement about the contents of the agreement. In doing so, they may each solicit assistance, input or feedback from others in their own organization. The duration of this step typically varies from several weeks to several months, depending on the developers' previous experience with SLAs, their familiarity with the key elements of an SLA, the demands of their other responsibilities, and the state of the relationship between the two organizations. In another paper, I outline what needs to be in the agreement, and very important the structure and content of an SLA.

## 7. Generate buy-in

The result of Steps 4, 5 & 6 is a *draft* of an agreement, not a completed agreement. Before implementing an SLA, all members of both parties who have a stake in, or responsibility for, the success of the agreement should have an opportunity to review the draft, raise questions, and offer suggestions. Using this feedback, the developers can conduct further negotiations, gain the necessary approvals, and finalize the document. In addition to generating buy-in, this step improves the quality of the final document.

## 8. Complete pre-implementation tasks

This step entails the identification and completion of tasks that must precede SLA implementation. Such tasks might include, for example, developing tracking mechanisms, establishing reporting processes, developing procedures for carrying out stated responsibilities, communicating expectations to staff, providing pertinent training.

## 9. Implement and manage the agreement

An agreement that is not managed dies upon implementation. Management responsibilities include providing a point of contact for problems related to the agreement, maintaining ongoing contact with the other party, conducting service reviews, coordinating and implementing modifications to the SLA, and assessing and reporting on how the two parties can further enhance their working relationship.

**How Long Does it Take?** One of the questions I'm most frequently asked about SLAs is how long they take to establish. Not surprisingly, the answer is, it depends. An SLA is an excellent tool for helping service providers and their customers improve communications, manage expectations, clarify responsibilities, and build the foundation for a win-win relationship, and many factors can influence the duration of the effort, such as:

1. **The service environment:** The more services covered by an SLA, and the more complex these services, the longer it takes

the two parties to discuss, negotiate and document the conditions of service delivery.

2. **The proximity of the parties:** Face-to-face negotiation is crucial in establishing an SLA. However, if travel is needed to enable this face-to-face contact, it can add significantly to the elapsed time.
3. **The span of impact of the SLA:** Establishing an SLA between two parties in a home office generally takes less time than establishing an SLA that spans regional, national or international boundaries.
4. **The relationship between the parties:** When the relationship is characterized by trust and respect, the effort proceeds much more quickly than when it is marred by distrust and dissatisfaction. In the latter situation, additional steps may be needed to begin to repair the relationship before undertaking the more formal SLA process.
5. **The availability of a model:** The first SLA in an organization usually takes the longest. Once it is completed and in operation, however, both the document and the process can serve as a model for subsequent SLAs. If the first SLA is successful, later ones usually proceed much more rapidly.
6. **Prior SLA experience:** The most expeditious SLA efforts are ones led by SLA developers who have had prior successful experience establishing an SLA. Conversely, if prior experience is lacking or failed to result in an effective SLA, the development process often hobbles along.

Given these factors, how long should it take to establish an SLA? The answer to this is a variation on what could be called the “Goldilocks Approach”.

### **Too short**

A misconception about SLAs that I encounter regularly is that they can be created quickly. Some participants in my SLA seminars arrive

under orders from management to complete one the following week (or *last* week, as one recent participant bemoaned). Management mandate notwithstanding, participants soon understand the impossibility of this task, and face the challenge of helping their management achieve this same understanding.

Developing an SLA in a week or even a month is both difficult and inadvisable. It is difficult because of the extensive workload involved in such tasks as negotiating service standards, establishing tracking mechanisms, preparing supporting procedures, gaining approvals and generating buy-in. And it is inadvisable because 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.

### **Too long**

"Too long" refers not to a specific time period, but to an effort that has stalled and is making no progress. One major contributor to a stalled effort is a lack of familiarity with the process of establishing an SLA. I recall one manager who energetically announced that her group and its customers would have a completed SLA in six months. Yet, after six months the effort had gone nowhere. She admitted that when they got right down to it, no one was quite sure what to do first and what to do next.

A second major reason that the effort often stalls is that one or both parties fail to bring a serious commitment to the effort. When management refuses to allocate staff to establish the SLA, or the effort is given a low priority, or one or both parties are unwilling to negotiate in good faith, progress becomes impossible.

### **Just right**

Establishing an SLA is typically a many-month process of information-gathering, analyzing, documenting, educating, negotiating, and consensus-building. I have found 3-6 months to be a good rule of thumb. When circumstances are optimal, three months is realistic, and sometimes even less. At the other extreme, if the situation is a complex one, six months may not be enough. However, if significant

progress has not been made within six months, it's time to stop the effort and examine why.

***The SLA Manager – A Critical Role*** One of the keys to SLA success is that appropriate people are chosen to oversee the creation and management of the agreement. Each party to the SLA needs an SLA Manager who works with the other party's SLA Manager to develop and manage the agreement. In some organizations, SLA responsibilities are only one component of the SLA Manager's job; in other organizations, particularly those with numerous SLAs, these responsibilities are a full-time job.

You may not however have a specific role in your organization called "SLA Manager". In many organizations the role is part of a bigger job such as IT Manager, Customer Service Manager, Manager, Service Delivery, or the like. Whatever the name, the roles and the skills required are very similar.

***Scope of the Role & the Skills Required*** For both service providers and their customers, SLA Managers serve 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 party 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 caused by 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.

In addition, the role requires some very specific skills for the person to be able to successfully implement SLAs in their organization. The SLA Manager 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.

***Responsibilities  
of an SLA  
Manager***

Many organizations complete an agreement, declare it operational and expect it to function without any further attention. However, an SLA that is not managed dies upon implementation. Once an SLA becomes operational, the SLA Manager's responsibilities may include (but not be limited to):

- Serving as the point of contact for problems or concerns related to the SLA itself and the delivery of services described in the SLA.

- Maintaining ongoing contact with the other party's SLA Manager
- Serving as the primary point of contact in the escalation process.
- Coordinating and implementing modifications to service delivery and to the SLA itself.
- Periodically assessing the effectiveness of mechanisms selected for service tracking and reporting.
- Planning and coordinating service reviews
- Facilitating or participating in conflict resolution processes regarding service effectiveness.
- Regularly assessing and reporting on how the two parties can further strengthen their working relationship.
- Delegating responsibilities to, or seeking the assistance of, colleagues, subordinates or members of the other party's staff to address issues that may arise under the agreement.
- Planning training designed to foster a heightened service attitude, create an enhanced awareness of the elements of high-quality customer service, and provide skills in service delivery.

### **Summary**

Setting up an SLA is far more than just putting a contract together with a list of services – it's a significant project in its own right. Importantly however, the organization should ensure it's ready to set up and implement SLAs before going down that path. Are the SLAs being set up for the right reasons? Has the organization defined its services? Does it know what will be covered in the SLA? What do you hope to achieve from implementing the SLA in your organization? How will you know if the SLA is successful? Once you can answer all these questions, you'll be well on your way to implementing and managing a successful SLA in your organization.