

Establishing Service Level Agreements - An Approach

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2007

The document aims to give the reader adequate information and guidance on why and then how and to whom we apply service level agreements across all the departments of an organisation and with its customers.

1. Buy into the SLA principles

Why do we need service level agreements? Service level agreements are an important part of the jigsaw of the service offering; monitoring our performance in supporting the customer and assessing indirectly the benefit of our department and ourselves.

Our customers need our support, our expertise and knowledge to enable them to service the external customer, make the right decisions, doing this effectively and adding real value to the activity. Establishing a measurement or more likely a series of measurements to ensure we are supplying to them what they require enables us to know we are giving them the right service and support at the right time.

We know from the customer survey carried out during 2001, that our customer base significantly relies on our services to perform their activities; we must know whether our service meets their demands.

The use of SLA's ensures we align with customers and also align with organisational goals – this is important in ensuring that we add value to the service, leading to improved decision making, better service and more success.

What is a service level agreement? It is what it says it is. It is a measurement agreed between the two parties, which measures a particular attribute of the service between them. It is important to point out that not every requirement of every customer needs to be measured in this way. The key to using this successfully is to measure the aspects and deliverables, which are important in the relationship – not everything down to the last detail. Customer requirements will fall into two broad categories, those that reflect tangible requirements and those that reflect intangible requirements, service level agreements need to cover both tangible and intangibles attributes.

How do SLA's add value? Some departments may already have SLA's in place. Should this be the case and they reflect the principles set down in this document then the department does not need to create a series of new measurements for the sake of new measurements. However even in these cases, the department will need to review their existing SLA's to ensure they are aligned with the key parameters outlined in this document.

Creating SLA's is not meant to be a bureaucratic exercise to back up an existing level of support. The importance of an SLA is to highlight where a supplier needs to improve to meet the increasing and changing requirements of its customers – indeed as requirements change and continuously improve then the use of SLA's to ensure we are still on track becomes even more important.

Sustained use of SLA's develops a mechanism for providing continual feedback on our results and performance, allowing us to have more accurate and focussed performance appraisals.

How do we go about creating and reviewing any existing SLA's? There are several key aspects to the setting up of SLA's - some are obvious. For example, you must sit down with the customer or a representative of the day-to-day customer i.e. a director or senior manager and determine which specific attributes need to be measured. This includes what the criteria are for the measure, what is the target and how often to we sit down with the customer and review the attributes that need to be measured and our performance in measuring them.

There are other aspects to this however which need to be thought through to make this work successfully. Namely, that the attributes which form the SLA are developed from the key objectives of the department, and / or the key operational processes / main outputs of the function. This is the start point for the SLA.

Where a department produces a regular series of outputs on a routine basis the type of SLA will be focussed primarily on the tangible requirements, based on timeliness, quality and quantity with some emphasis placed on the intangible aspects.

Whereas a department whose whole output is completely based on ad – hoc requests and / or is completely request driven or advice based, then the SLA's set can only be based around the individual outputs, i.e. was it delivered on time to the agreed specification etc. In this situation, additional to the feedback on the individual outputs, this department needs to carry out on a periodic basis a 'spider' diagram 'perception' assessment of its performance to its customers. This will pick up the intangible aspects.

At this point there needs to a reality check.

The reality check says the success of this type of measurement relies on the customer giving you the feedback, whether it is initiated by you or by them. You need to plan for only receiving a proportion of the feedback you require. Customers will not fill in endless surveys or questionnaires, therefore as you are deciding to whom and at what frequency you are looking to develop SLA, make sure you, as a department don't overload the customers or yourselves – choose the attributes and frequency carefully. The thing to remember - if you were this customer would you complete and participate in the feedback in the way you would want?

2. Local / departmental application

What is my department geared to do? The generation of the specific SLA's need to be based on the key outputs and main processes of the department.

This is the start point. The series of questions outlined below then need to be answered; this will help you generate the SLA.

- If I were the customer of this department's output, what would I want to measure?
- Who is the actual customer? Note - customers can be at different levels and hence require different things
- As a customer what would my requirements actually be?
- What do we currently measure concerning our performance to the customer?
- What should we measure?

Answering these questions within the department before discussing with the customer gives the impression that you are willing to do the majority of the thinking for the customer and therefore are likely to obtain a better result.

The timing of the SLA – It is important to ensure that establishing SLA's fits into the timetable of the organisation. What this means, is that if the departments are in the process of establishing objectives and targets for the year, then this is the ideal time to formulate the SLA's. It means you will derive maximum value from them. Leaving it too late will diminish the value.

What is the start point? Establishing SLA's begins with the Head of Department discussing with their people, what the key attributes should be in constructing the SLA's, with which customers and over what time period.

Based on the questions above and then having completed the internal discussions, then the department is in a solid position to discuss with the customer whether these SLA's are appropriate and realistic.

Introducing this to the customer needs to be thought through and conducted professionally – perhaps using the fact that this is positioned as a continuation of the work that was started last year - this could be a useful way to initiate the discussion. Discussions with the customer then need to centre on specific attributes of the SLA and then the review mechanism - as discussed below.

It will be important to set a timeframe to have this SLA process established, so that it can become a valuable source of measurement in servicing the customer

3. Process review and consistency

There is a considerable amount of work needed to set up the SLA's and significant credibility put on the line with the customers in agreeing the attributes to be measured. Realising the value of the SLA process will only happen if a robust structured review mechanism is put in place at the beginning.

This consists of a review schedule with the customer where the essence of the review is based around:

- The performance of the department based on the SLA, and
- The sign off that the current SLA and associated targets are still appropriate

As the review process becomes part of the fabric of the relationship with the customer, the actual task will become less demanding, as it will be seen as just doing part of the job.

Making visible the review schedule and resultant outputs will enable and ensure a consistency across the organisation in the way we measure and monitor our performance.

4. Ongoing management of SLA's

Having generated the information from the SLA's it is then fundamental to ensure the correct mechanisms are set up to ensure action is taken to improve performance – perhaps this goes without saying – however the reality is that if it is not planned it won't happen

Action is initiated using team and customer supplier meetings. These are meetings held regularly, with the emphasis of the agenda being on listening to feedback and where we can improve and not on telling or presenting information.

Different functions will call these meetings different things and run them on a frequency suitable to their operation – however the main characteristics of the meetings remain the same, customer and team involvement based on an agenda of where can we get better, using the SLA's and objectives as prompts for discussion and action.