

Why Service Level Agreements Fail

They Don't! Service Level Management Does

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There are an inordinate amount of articles and presentations available on the internet (and elsewhere) entitled: "Why Service Level Agreements (SLAs) Fail"?

So if there is so much guidance to prevent SLAs from failing why is it that they still do?

My belief is that it is not the SLA itself that fails (that is just a document) but the Service Level Management (SLM) process and its implementation that causes the failure.

The majority of guidance available for successful SLM and SLAs highlights important but well known reasons for failure. These include but are not limited to:

- Over complex and lengthy SLAs
- No OLAs in place
- Lack of technology and tools that can report on performance against SLA targets
- Lack of management commitment and buy-in across the organisation
- Unclear expectations
- Inadequate time and resources
- Unrealistic objectives and goals
- Unclear Service Level Objectives
- No Service Catalogue

So if we address all those why are so many Service Level Management (SLM) initiatives not seeing the return on the investment of time and resources allocated to the project? This article will explore some of the "other" reasons SLM fails.

FOOLS RUSH IN.....

Before embarking on implementing SLM and SLAs consider whether the organisation needs them at this point in time. What is the driver for implementing SLM? Is it just because a consultant has advised you that you should do it and ITIL says you have to have SLAs? Or is it because you need to manage over-inflated customer expectations and improve customer satisfaction. If it is the former then that is not a valid reason to implement SLM as a priority. If it is the latter then this is a valid reason to embark on the SLM journey. If you are in an IT Outsourcing (ITO) or Business Process Outsourcing (BPO) arrangement then you absolutely have to have SLM and SLAs in place. If, however you are an internal service provider and your internal customers are happy with the service being received and customer satisfaction is acceptable, then why would you embark on SLM as a priority? There may be other initiatives that should be undertaken as a priority before doing SLM such as improving Change Management or creating a Service Catalogue. The latter will make your SLM implementation much easier so why not do that as a priority?

Remember once you put in Service Level Management and SLAs you will create a boundary somewhere in the organisation and replace flexibility with rigidity. Where there was an informal exchange of ideas and a shared responsibility there is now a "contract" governing responsibilities of each party and formal communication forums. So just be careful when and how you do SLM. Fools rush in.....so look before you leap!

SLM BURIED

One of the main reasons I see SLM fail is the organisational structure and where SLM is positioned within that structure. Its position in the organisation is often a result of where Service Management itself sits within the structure.

SLM is the key interface between the business unit and customers. Just as a poor Service Desk can make or break the relationship with the end-users in the organisation so can SLM make or break that relationship with the customers of the service provider. These are the people who "pay" for service. SLM should be at the forefront of the IT organisation with the visibility, authority, credibility and position of influence and control that the activity deserves. The same applies for ITO or BPO situations where the SLM activity within the "buying" organisation should be at a level within the organisation to influence and control the way in which the external service provider delivers to the organisation.

If SLM is buried within the organisation in an infrastructure domain or application domain it will not succeed. It will be seen as operational rather than strategic and tactical and as not independent of technology, infrastructure, applications, development, operations, or any other of the components that make up the IT organisation. SLM (and Service Management) should sit horizontally across all of the vertical activities within IT that come together to deliver a service.

The following diagram - **Figure 1: Example Organisation Structure and Position of Service Level Management** - illustrates the position Service Level Management should have within the organisation.

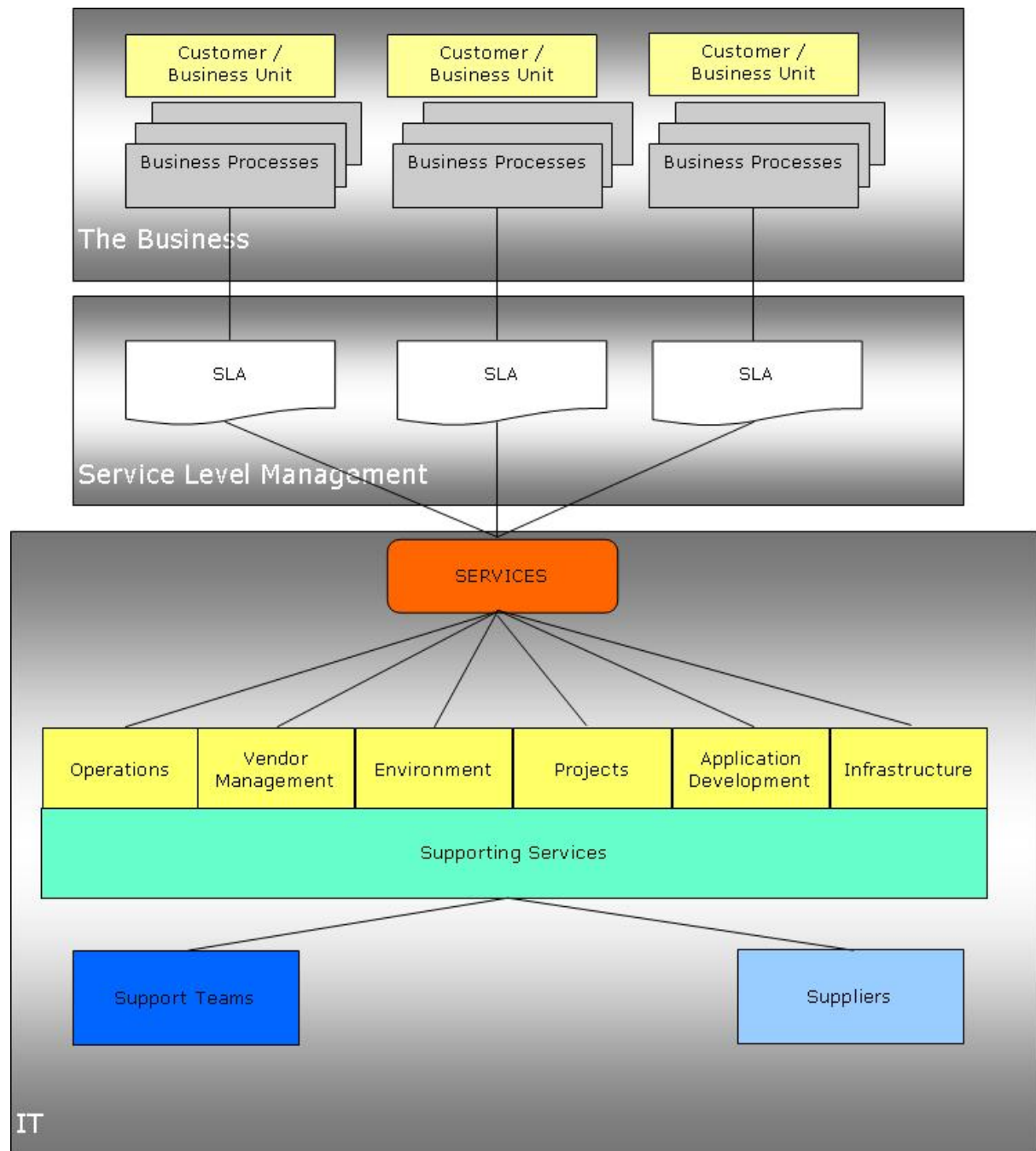


Figure 1: Example Organisation Structure and Position of Service Level Management

The SLM role should report directly to the CIO (or Head of Service Management who reports directly to the CIO) as they are the representatives of the CIO within the organisation. They are also answerable directly to the CIO for their actions.

As stated in "Service Agreements – A Management Guide"¹:

The seniority of the service manager impacts on the credibility of the service management strategy. The more senior the service manager, the more credibility is afforded the service management strategy.

¹ Benyon, Robert Johnston, Robert – Service Agreements A Management Guide – itSMF September 2006

YOUR BEST PEOPLE

SLM should comprise your best people. They are the representative of the CIO and the face of the organisation to customers and/or other service providers. They are your senior relationship managers with all the necessary skills to undertake the job at hand. They demonstrate excellence in relationship management, project management, communication and negotiation, presentation and understanding of both IT provider services and the customer's business.

Consider creation of a SLM Centre of Excellence to educate the organisation on SLM concepts and empower the business to manage IT in business terms for internal business customers.

The Centre of Excellence operates as a consultant to the business facilitating the effective and efficient implementation of SLAs. The Centre of Excellence helps the business define their business processes and map them to the IT services and the technology required to deliver the service. It determines business customer expectations, service provider capabilities and negotiates the SLA. It defines meaningful performance metrics and targets that reflect the business perspective.

The Centre of Excellence can provide a starter kit² for the business that helps the business define their business processes and priorities and therefore prepare the business for SLA implementation.

The starter kit provides the key stakeholders with the tools to create and maintain SLAs and it is organised around the various phases of SLA development. It is a one-stop toolkit for creating, developing and maintaining SLAs as well as containing information on SLA best practices, company standards and processes for future situations.

The toolkit communicates the SLM philosophy, educates stakeholders and fosters a broad SLM knowledge base to those engaged in implementing SLM.

Taking a Centre of Excellence approach establishes a culture of collaboration and consultation rather than one of mandate which builds barriers and resistance. The Centre of Excellence supports and guides all those involved in SLM through the process and provides a single point of contact for queries and questions regarding SLM. It facilitates business and IT discussions and empowers the business to make informed IT decisions regarding appropriate service levels. Therefore it is managing expectations before they are set!

All organisations should focus on SLM education across IT and the business and embed a SLM philosophy in the organisation. In this way organisations can realise an incrementally reduced burden in SLA creation, reduced resistance and increasingly effective SLAs.

DOCUMENT OR PROCESS?

Naomi Karten warns against a number of critical pitfalls during SLA creation one being confusion between the SLA document and the SLM process.³

² Corporate Executive Board – Implementing Internal Service Level Agreements – November 2004

³ Karten, Naomi – How To Establish Service Level Agreements – Karten Associates 1998

Effective SLM is more than just filling in the blanks in a SLA template or changing an existing agreement. There is a whole lot of effort needed to build a solid foundation for SLM so that a win-win relationship is established and SLM can be a success. When this works, the resulting SLA is secondary because the parties to the agreement have already established an atmosphere of trust and cooperation so that any issues or concerns arising can be dealt with smoothly. If there is no trust, even the best SLA will fail.

The relationship is all important in successful SLM especially in out-source arrangements as the parties don't usually have a prior business relationship with one another and therefore there needs to be a development of trust.

"Service Agreements – A Management Guide"⁴ describes three different kinds of trust:

1. **Competence Trust** – A trusts B to do a good job because A assumes that B has the required knowledge and skills
2. **Ethical Trust** – A trusts B because A assumes that B will behave according to A's expectations and will take care of A's interest
3. **Emotional Trust** – A trusts B because A likes B.

These types of trust are based on different sources:

1. On proof (Competency Trust)
2. Expectation, experience, culture and observation (Ethical Trust)
3. Feelings and preferences (Emotional Trust)

These types of trust exist and develop relatively independently from each other. Consequently the level of trust one party displays is not just one-dimensional but 3-dimensional – the combination of three levels of different types of trust. Trust is dynamic as it depends on the situation, the other party and changes over the course of the relationship.

Distrust has a negative impact on performance, whereas trust improves performance. Distrust can lead to finger points with each party pointing the finger at the other.

Mutual trust encourages participants to work together rather than look for ways to apportion blame.

Therefore the success of SLM will be based not on an excellent, well structured and written SLA but on the establishment of a relationship of trust. This is achieved through communication. Service levels are often not met because of the lack of communication between service providers, customers and end-users with reference to the service levels. Therefore good communication is essential for reaching consensus concerning what is to be included in an SLA, setting expectations, developing trust and developing the procedures governing how reporting on service levels and performance is conducted.

Relationship building is of prime importance. Together with the SLA, a spirit of cooperation needs to be developed that will enhance the relationship and maintain it during times of difficulty.

⁴ Benyon, Robert Johnston, Robert – Service Agreements A Management Guide – itSMF September 2006

TOO LITTLE TOO LATE

Another mistake I often see organisations make is initiating the SLM process far too late in the service lifecycle. Often SLM is engaged at the service transition phase or even worse, the service operation phase. This is too late.

Corporate Executive Board research stated in "Implementing Internal Service Level Agreements"⁵ that organisations are addressing the dilemma.

"Facing a continuing need to deliver projects on time, on budget, and with the requisite functionality, IT organisations are increasingly incorporating Service Level Management into their project management strategies. Both IT and the business benefit from the pre-emptive establishment of explicit, objective service goals".

SLM has to be engaged at every stage of the service lifecycle in order for it to succeed. The SLM process flows through every stage of the lifecycle from service strategy, service design, service transition, service operation and continual service improvement.

This is also a symptom of the placement of SLM within the organisation as discussed earlier. If SLM is embedded in a technology / operational domain then it will be seen as an operational activity. New projects will be initiated, applications designed and built, transition into production planned and it is at this point that the project manager will engage SLM to inform them that a SLA is required. The Service Level Requirements (SLRs) have already been gathered from the customer so expectations have been set but no determination of capability to meet those requirements has been undertaken. SLM are now faced with a no-win situation. The customer expects service to be delivered as per the SLRs and technology expects SLM to negotiate with the customer service levels that can be supported which will be put in an SLA.

What often eventuates is a SLA that reflects the SLRs from the customer with a caveat for service improvement to bridge the gap between requirements and capability. Meanwhile the targets within the SLA are difficult if not impossible to achieve. This makes the SLA and the SLM process worthless.

If SLM is positioned at the top of the organisation reporting to the CIO then it is across all parts of the lifecycle from strategy to continual service improvement. SLM has the authority to make it obligatory that the process is followed throughout the lifecycle.

The following diagram (Figure 3) illustrates some of the activities that SLM would undertake at each stage of the service lifecycle. Some of these activities would cross over from one stage to another but this is not reflected in this diagram. It also does not show all of the activities that could be undertaken but provides a flavour of SLM activity.

⁵ Corporate Executive Board – Implementing Internal Service Level Agreements – November 2004

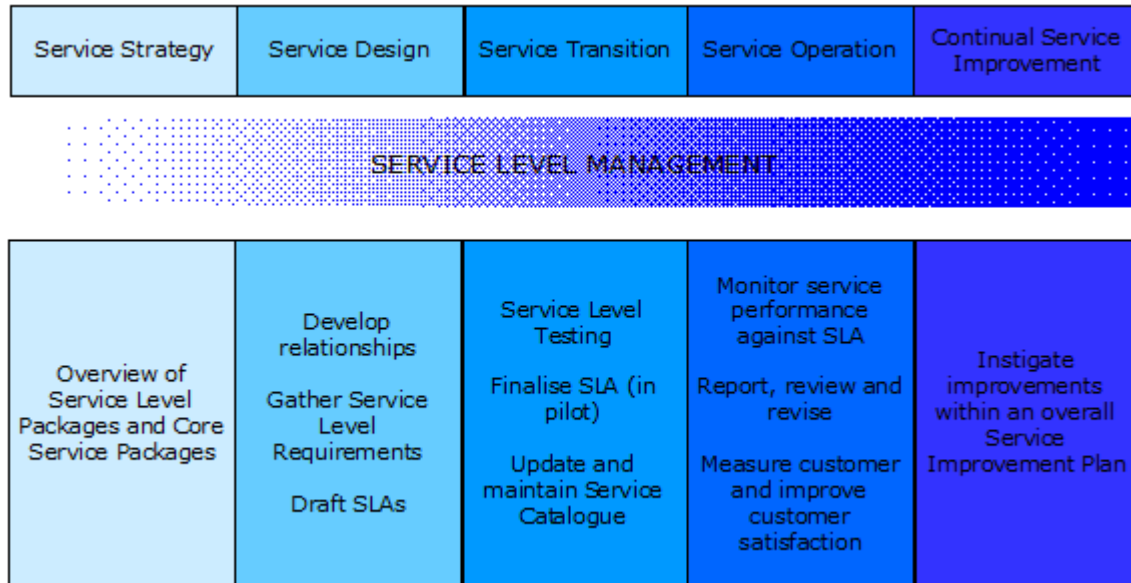


Figure 2: SLM involvement across the Service Lifecycle

WHO’S WHO IN THE ZOO?

It is not the aim of this article to explore all of the roles and responsibilities within an organisation that have a stake in SLM. However, what I would like to highlight is that with the increasing awareness and focus on service and relationship management more and more roles are being formulated and introduced. Many organisations, especially the large ones have introduced these new roles (or titles) to a point where no-one is actually clear about who does what and where SLM actually lives.

Roles such as Business Service Manager, Customer Relationship Manager, Client Management, Customer Account Manager, Business Delivery Manager, Service Manager, Technology Partner, Service Owner, and so on, are all muddying the water. They may all be valid roles within the organisation but make sure that the holders of those roles are clear in regards to their roles and responsibilities and their boundaries and that the rest of the organisation is clear too. There is no better way to work this out and illustrate it than with the use of a RACI matrix. Avoid everyone stepping on each other’s toes or key issues falling between the cracks because the no-one was clear about who should have picked it up and dealt with it.

ARE WE THERE YET?

The job is not over once the SLA document is complete and signed off. The SLA now needs managing. This management involves monitoring of performance against SLA, reporting on that performance, managing exceptions, regular service reviews with the business / customer, facilitating service improvement initiatives etc. The majority of work within SLM is in the ongoing management – not in the striking of the SLA. This could also include managing non-performance, non compliance, and conflict resolution.

Another mistake that is made is not integrating SLM with other key service management processes such as Change Management. Once a service is

operational any proposed changes to that service need to be evaluated in regards to the impact of the change on the SLA. The introduction of other new or amended services also needs to be reviewed for impacts on the SLAs of other services. It is not only failed changes that cause an adverse impact on the achievement of service level targets but also the “successful” changes that have changed the environment or the nature of the service so that the service level targets in the SLA cannot now be met. For example, a SLA was struck on the basis that there would be 100 users of the service. A change is implemented to increase access to the service to another 100 users. Now there are performance issues which cause the SLA performance target to be missed. All because the Change Management process and SLM were not integrated to that the change could be evaluated for impact and where necessary service level targets revised or technology capability increased.

LEGAL EAGLES

Remember that an SLA is a legal and binding contract. When there are financial and other implications associated with meeting or failing to meet the service level targets (even more so in ITO and BPO arrangements), engage a lawyer to assist with the writing of the SLA.

Just because we in IT are “intelligent” and “technical” does not mean that we can effectively review an SLA. We may review what is in the SLA ok but what about identifying what is **not** in the SLA. This is where you need legal assistance. For example, if you have outsourced application development and maintenance what does the SLA say about that application software if the agreement should cease. Who owns the IP – you or the outsource organisation? If it was mentioned in the SLA and it stated that the outsource organisation kept all the software, you would probably pick up on that and object. However, if it is not mentioned what happens, the chances are that the omission would not be spotted.

THE OLD CHESTNUT – What Is A Service?

No discussion on SLM would be possible without opening up the debate in regards to what we mean by “a service”.

According to the IT Infrastructure Library (ITIL)⁶ a service is:

A means of delivering value to customers by facilitating outcomes customers want to achieve without the ownership of specific costs and risks.
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Many SLAs are component or system based rather than business process or service based. This is often because service providers are better able to measure and report on components and systems than they are on services. Successful SLAs are service based from the customer’s point of view. The service provider has to understand the systems and components that bundled together deliver the service but all the customers is concerned with is delivery of a service that supports their business process.

For example e-mail is a service. The systems that support that service could be Lotus Notes and MS Exchange. In addition to the systems there are the components of those systems as well as the people and processes all working together to deliver the service.

6 Lloyd, Vernon Rudd, Colin – Service Design – TSO 2007

The SLA should not be based around the availability of Lotus Notes or MS Exchange as this has no meaning or value to the business if the network or the desktop fails therefore denying access to e-mail.

It is useful to ask the question “Does this facilitate an **outcome** that the **customer** wants to achieve?” when trying to determine whether something should be classified as a “service”. For example if you asked yourself whether MS Exchange delivers an outcome that the customer wants to achieve the answer would be “no” because on its own it does not. It is when it is bundled with other systems that a service called e-mail is provided. E-mail does produce an outcome that the customer wants.

In “Defining Success through the Service Catalogue”⁷ there is good guidance on steps to define an IT service. Those are:

1. Define business processes
2. Define enabling IT services
3. Map IT systems to IT services
4. Map IT components to IT systems

A business processes can be broken down into four major categories:

Primary business processes: e.g. banking – check processing, account management, lending service; utilities – power generation, maintenance

Support processes: e.g. HR, Finance, Legal

Innovation processes: e.g. marketing, R&D, sales

Management processes: e.g. strategic planning, market intelligence, risk management

Once these business processes such as financial management, and their sub-processes e.g. payroll, superannuation, procurement, property etc. are understood, then the mapping of IT services to these business processes can take place.

An IT service is a capability not a technology solution or vertical domain such as a server environment or a business application.

IT systems can then be mapped to IT services and IT components mapped to IT systems.

It is the IT service that should be included in the SLA and is the focus of SLM. All the other information is crucial in the effective management of service delivery and should be captured in a Service Catalogue but is not for inclusion in a SLA.

Some examples of IT Service to IT System mapping are provided in the publication mentioned above.

IT Service	IT System
Email	MS Exchange
	Lotus Notes
Shared Infrastructure	Data / LAN
	Voice
	Storage Management

⁷ Du Moulin, Troy Flores, Rodrigo Fine, Bill – Defining Success Through The Service Catalogue – Van Haren Publishing 2007

HR Management	Peoplesoft
	SAP
	Payroll

WHO OWNS SERVICE?

This has to be one of the hottest topics around at the moment in conjunction with definition of service!

If "ownership" of service does not sit with Service Management then the management of the SLA cannot sit with SLM.

Many organisations place "ownership" of service with the application development team because they developed the service or with the infrastructure team because they own the platform on which the service runs. Others place it with the business because they pay for the service.

The ownership of a service has to sit above and across all the components that deliver that service.

The application teams do not own service just because they developed the application. This is just one component that makes up service. Unless they have accountability / ownership for all those other components that make up the service e.g. infrastructure, support, maintenance, third party relationships etc. they cannot hold the "ownership" of the service.

Likewise the same applies to infrastructure. Platform owners cannot own service unless they also have the accountability / ownership for all the other components of the service.

The business cannot own the service just because they have paid for the development of an application and are paying for the hosting of that application, the platform, network, desktop services, support, maintenance etc.

Think of the following example and ask who owns the service.

A restaurant is a **service** delivered to paying customers who wish to eat at the restaurant. The chef **designs, builds and creates** the meal but does he/she own the service? A buyer purchases the ingredients for the meals. The waiters and waitresses **deliver** the meals to the customer but do they own service. The kitchen equipment is **supplied** by a third party so do they own the service?

The operation and ownership of the service is the restaurateur who not only has ownership of the infrastructure, employs the chef, the buyer and waiting staff, hires equipment from third parties, maintains the customer relationship, manages finances, etc. but oversees the entire operation that delivers the service.

It is not the chef (as in our application teams) who designs and builds the meals. It is not the buyer (as in our procurement service) who purchases the components that make up the meal. It is not the customer (as in our business customers) who pays for and consumes the meal. It is not the waiting staff (as in our platform owners) who delivers the service. It is not the third party (as in our vendors) that supplies components to enable the delivery of the service.

In this scenario the ownership of the service sits across and above all of those discrete but interdependent systems that make up the delivery of the service. This is the restaurateur (as in our Service Management).

DO I HAVE TO?

This article would not be complete without some mention of metrics. A lot has been written about metrics within SLAs but I thought the following five principles for selecting SLA metrics were worth sharing with you. Ian S. Hayes wrote an article called "Metrics for IT Outsourcing Service Level Agreements" and said that if the goal is to achieve a positive and successful working relationship then there are some principles to be considered.⁸

1. **Choose metrics that motivate the right behaviour.** Metrics can influence behaviour and you want to create the right behaviour for both the customer and service provider. An example is if you pay the service provider a fee based on the number of Incidents closed within a certain period, the chances are that Incidents will be closed but the quality of the resolution to the Incident could be questionable. Focus on the behaviour that you want to motivate. What is important to your organisation? Reducing costs and/or defects? Increasing production or speeding up time to market?
2. **Ensure metrics reflect factors within the service provider's control.** For example, a service provider will have control in regards to getting an order ready and to the post office for despatch within an agreed time. However, they have no control over the performance of the post office in getting that order to the destination within a specified period of time. Where the service provider's ability to meet the targets is dependent on an action from the customer, then the customer's performance also needs to be measured.
3. **Choose measurements that are easily collected.** If a metric is going to take a lot of time to collect and analyse either automate or determine another metric.
4. **Less is more.** Don't have an excessive number of metrics or ones that produce volumes of data. Don't include too many. Choose a select group of metrics that produce the information you need and that can be easily analysed, reviewed and can be utilised. Remember the KISS principle!
5. **Set a proper baseline.** If you have strong historical measurement data then you will be able to set a baseline in order to determine achievable and realistic service level targets. If there is no historical data then an initial assessment will need to be performed to establish a baseline. In this scenario, be prepared to re-visit and re-adjust the baseline setting at a later date through a pre-defined process that is specified in the SLA. In addition build in a realistic tolerance level.

Forrester Research in "Best Practices for Service-Level Management" suggested a 9 point checklist that metrics must answer.⁹

1. The metric is objectively measurable
2. The metric includes a clear statement of the end result expected
3. The metric supports customer requirements including compliance issues
4. The metric focuses on the effectiveness or efficiency of the process being measured
5. The metric allows for meaningful trend or statistical analysis

⁸ Hayes, Ian – Metrics for IT Outsourcing Service Level Agreements – Clarity Consulting 2004

⁹ Garbani, Jean Pierre – Best Practices For Service-Level Management – Forrester Research Inc - 2004

6. Appropriate industry standards or other external standards are being applied
7. Assumptions and definitions for satisfactory performance are specified
8. Those responsible for the performance being measured have been fully involved in the development of the metric
9. The provider and the customer accept the metric

SLM – THINLY SPREAD!

In an article I wrote back in 2007¹⁰, I described the “traditional” role of the Service Level Manager that is in place in many organisations.

They are providing the customer facing interface from technology to the business. They hold the relationship/account management role – negotiating, reviewing, maintaining and improving. They also have the service catalogue along with the SLAs. They represent technology for ALL the services that the customer/business consumes.

In many organisations because of their customer relationship, they are the first point of escalation for customer impacting Incidents and issues. They have to drive the resolution of those issues on behalf of the customer across all technology, internal and external to the organisation. They have to ensure that operational level agreements and third party underpinning contracts underpin the service level targets agreed with the business.

They operate in both the operational and tactical space and somewhat into the strategic space.

The Service Level Manager has pressure from the customer to deliver and from the service providers to manage expectations. Once again, this is across ALL the services that the customer uses.

When I presented this picture at the IT Service Management Forum Australia (*itSMFA*) National Conference in 2007, there was acknowledgement from the Service Level Managers in the audience that this reflected their reality. SLM is being spread too thin.

So how can we provide a more effective and efficient operating model?

Allowing SLM to be truly customer facing and do the role intended there has to be the role of Service Owner. The Service Owner is responsible for ensuring that the OLAs between the internal service providers and the underpinning contracts with external service providers will meet the requirements of Service Level Management.

The Service Owner is responsible for continuous improvement and the management of change affecting the services under their care. The Service Owner is the point of escalation for issues arising with services and act as the conduit of information to SLM.

¹⁰ Ferris, Karen – Out of One Silo and Into Another - 2007

The following diagram -

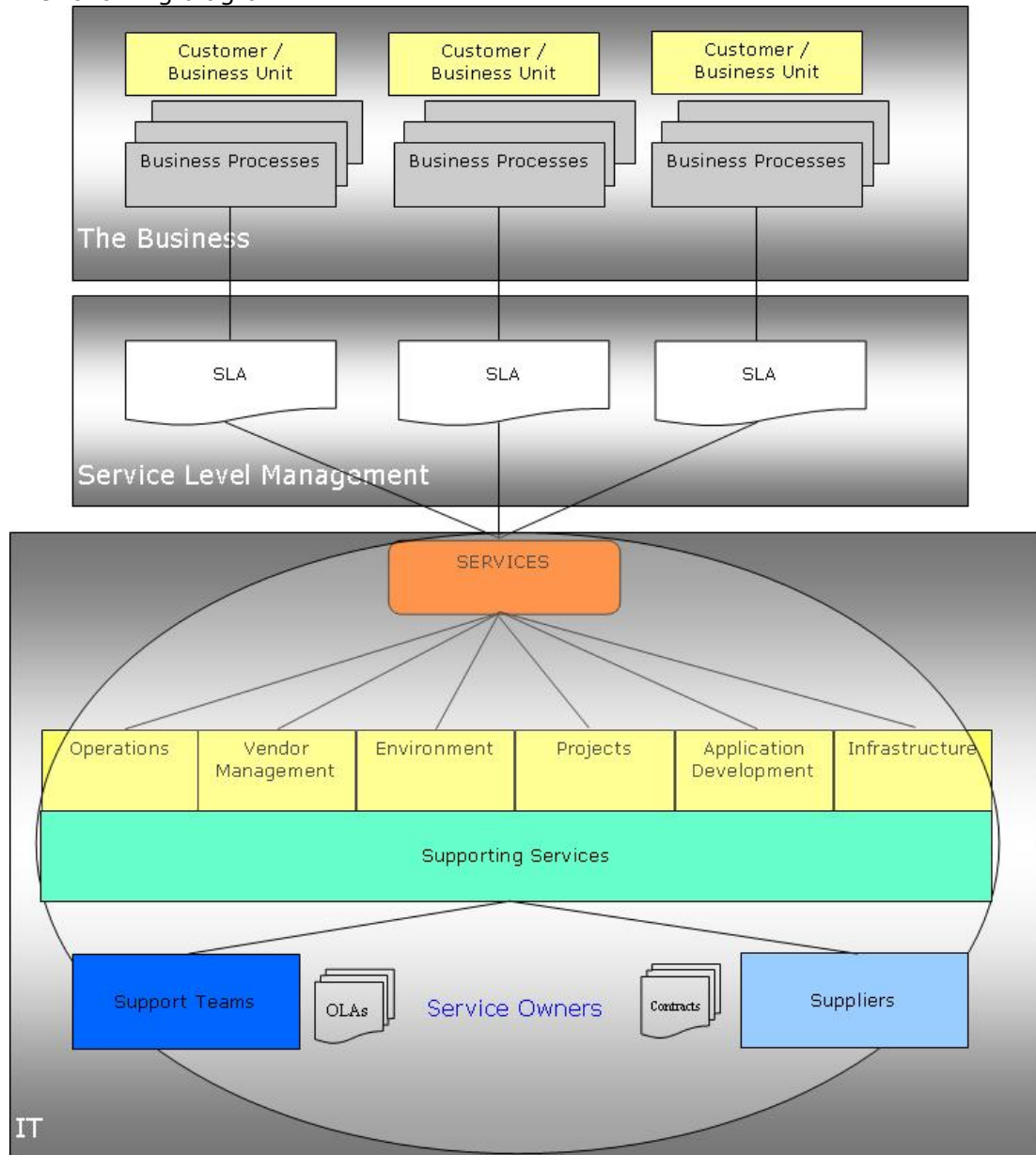


Figure 3: Service Owners within the Organisation -illustrates the position of the Service Owner in the organisation and the sphere of influence.

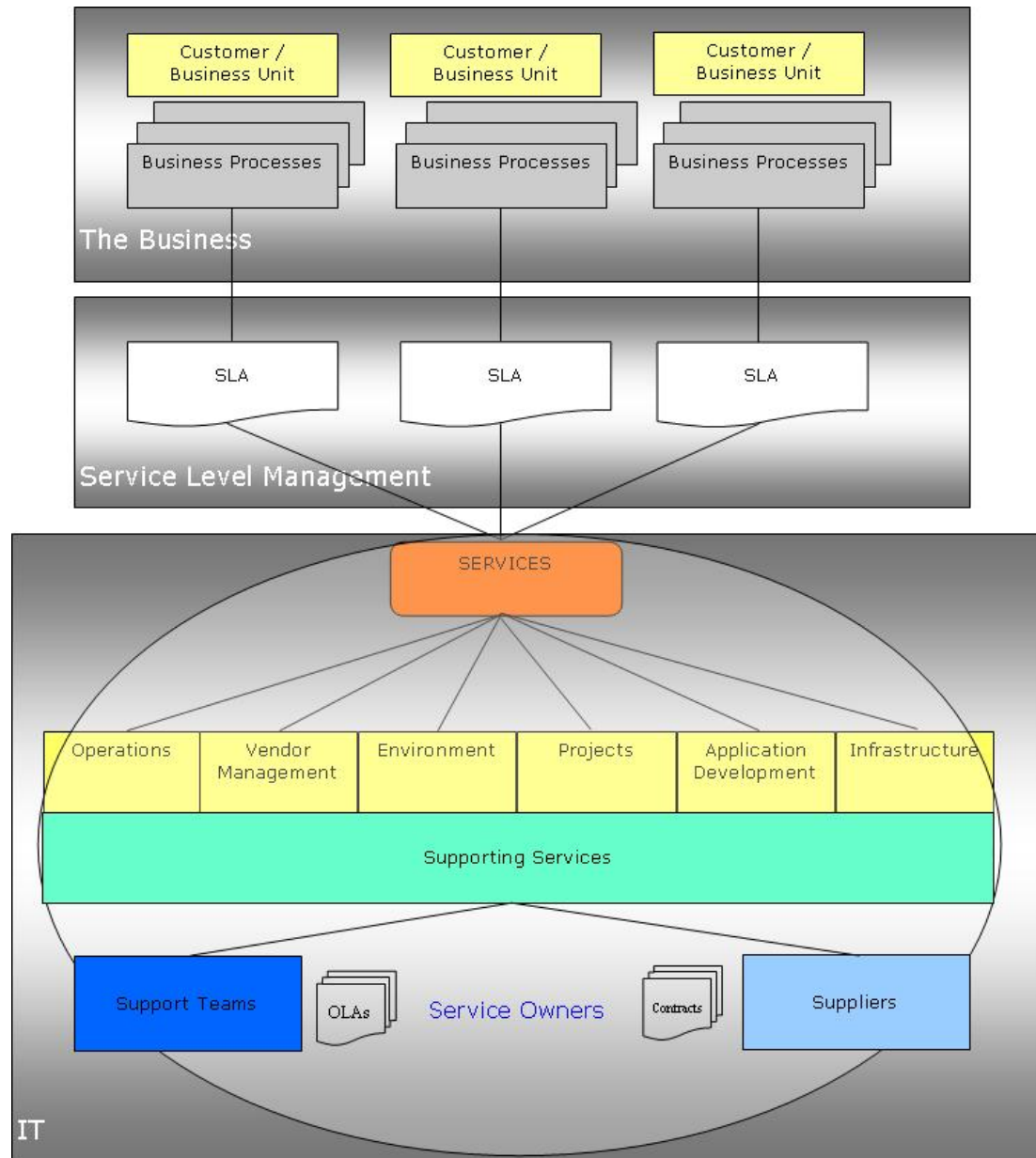


Figure 3: Service Owners within the Organisation

As mentioned earlier in this article, these roles are effective or not according to the level of empowerment (true power) given by management of the IT organization.

Where Service Level Management is customer / business focused, the Service Owner is service focussed. SLM resides in the strategic and tactical space and the Service Owner resides in the operational space.

CONCLUSION

So to summarise the things that will help to make your SLM successful.

- Before embarking on your SLM journey be clear of your drivers and make sure you are doing it for the right reasons.

- Position SLM (and Service Management) in the right place within the organisational structure giving it the authority and credibility needed. Put your best people in SLM.
- Don't confuse the SLA with the SLM process. SLM is about much more than just creating a document.
- Make sure the SLM process operates across the entire service lifecycle so that preparation and planning for new and changed services can be done in a timely fashion.
- Be clear on the roles and responsibilities around SLM within the organisation to avoid duplication of effort and remove confusion.
- Integrate SLM with the other processes within the organisation e.g. Change Management and ensure that there is ongoing management of SLAs and services following the striking of the initial SLA.
- Remember that the SLA contains services and not systems or components and those services are the ones that support business processes.
- Get your metrics right so that they drive the desired behaviours. Get help where needed e.g. legal advice and finally look to put in place Service Owners who can perform the operational activities across services allowing SLM to be truly strategic and tactical in its activities.

Remember this is additional guidance to much of that already available in various forms and from various sources. Utilise that information as well as that contained within this article and you will be sure to achieve your goals.