

# **Learning to Create and Manage Service Level Agreements**

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# Agenda

- Service Level Terms
- What should go in the SLA?
- Service Level Management
- Roles and Responsibilities
- Creating a good SLA
- SLA Hazards
- SLA Metrics
- SLA Infractions
- Q&A



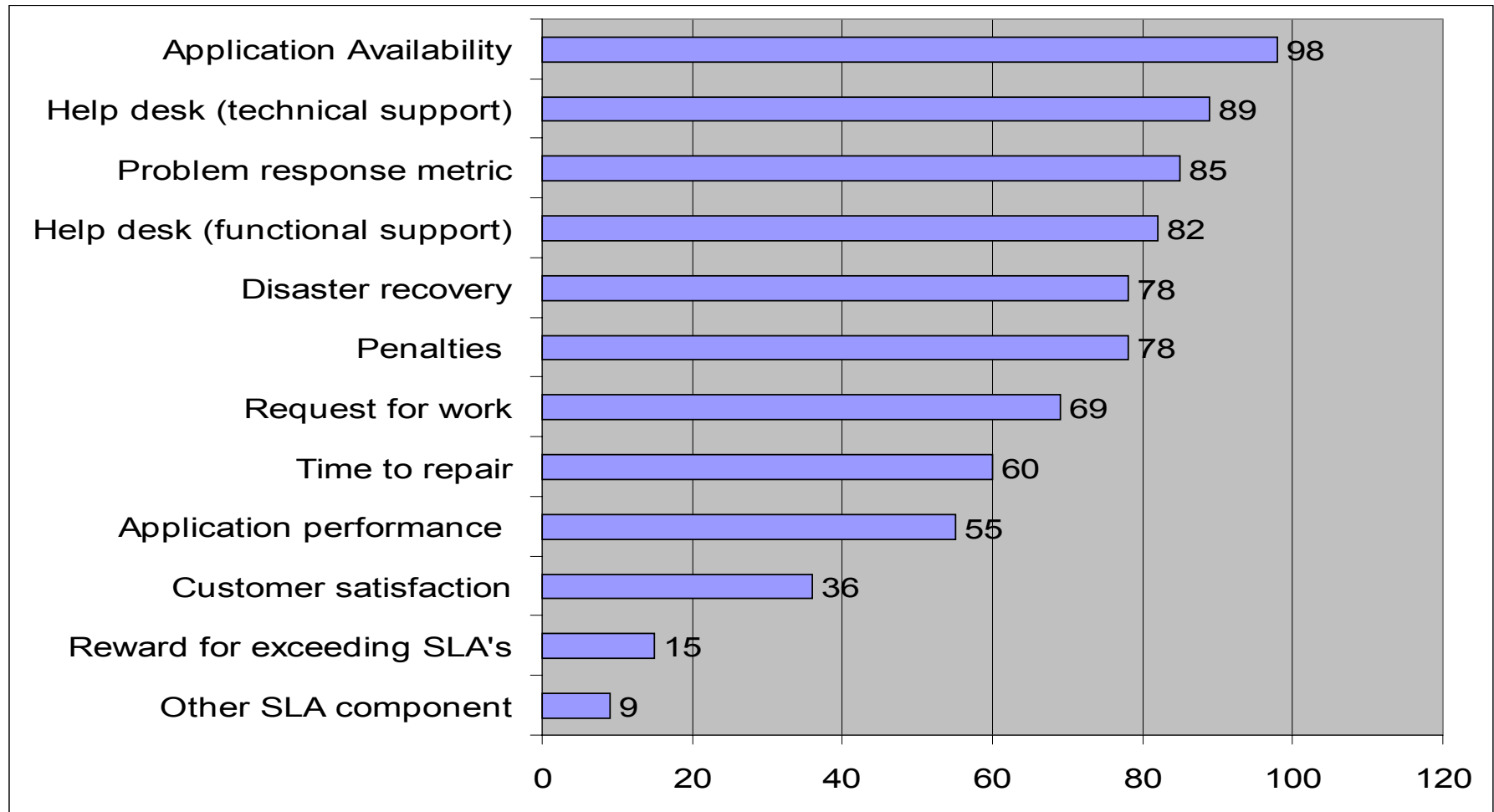
# Service Level Terms

- Service Level Contract – Is the SLA plus terms and conditions
- SLA – Details the responsibilities of an IT service provider and the rights of the service consumer. (Micro view)
- SLM – A way of thinking about services that needs to be viewed in the context of users or service consumers, their requirements and priorities. (Macro view)

# Statistics

- By 2004, 20% of the G2000 ITO's will establish SLA's to support business service levels
- By 2004, 15% of the G2000 ITO's will focus attention on the SLM process
- By 2005, 35% of the G2000 ITO's will establish business workload SLA's

# What should go in the SLA?



Top 12 Components most often included in  
an Application SLA (by %)

Source: IDC #24696 Date: 5/01

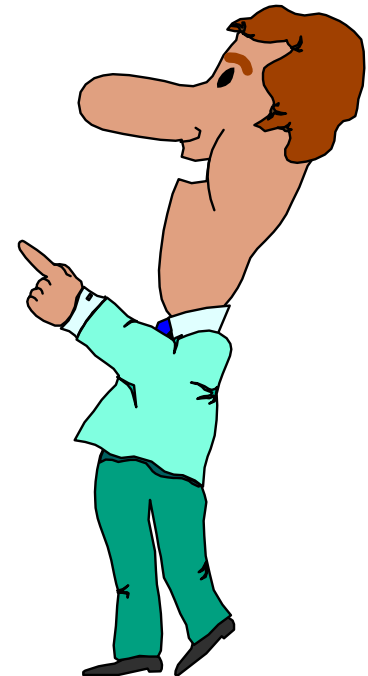
Vol: 1 Tab: Markets

# Service Level Management

- Establish a process maturity program
  - Create an end to end service delivery owner
  - Reflect business operations
  - Should communicate value to the business
  - Balance service levels with cost
  - Work with capacity planning to ensure capacity is in line with demand
  - Constantly evaluate SLA's against business needs

# Did you know???

Research shows that business units are dissatisfied with IT-centric SLA's that poorly reflect business operations that neither support cost reduction initiatives nor strengthen the company's position in the market.



Source: META Group File: SMS 1144

Wissam Raffoul – Service Management Strategies

# Roles and Responsibilities

## Business



- Business wants to add 30 more call service representatives

## IT Representative



- Understands change
- Negotiates with vendor
- SLA changes between business and IT

## Service Provider



- Increase in service (multiple T1's)
- SLA changes between service provider and IT



# Creating a good SLA

- Establish SLA's around business operations
- Termination clause
- Negotiate penalties carefully
- Escalation policy
  - When, who
  - Senior member of providers management gets notified
- Avoid long-term contracts

# Creating a good SLA - more

- Business continuation clause
- Transition clause
- Clearly define the service providers responsibilities
- Provide disaster recovery
- Check with your legal department

# SLA Hazards

- Don't implement SLA's across the board
- Good SLA's are few and simple
- IT staff should be motivated to exceed an SLA through variable pay plans
- Review the service providers plan thoroughly
- Review the service providers financial information



# SLA Metrics

- Best SLA tools allow IT managers to view performance the same way service providers view performance
- SLA tools should monitor in real time
- Metrics should be measured reasonably
- Metrics should be reported in an agreed time period
- Metric measurement should be easy and automated



# SLA Infractions

- Few companies are demanding penalties
  - If they are, they are part of a standard offering by the service provider
- Anyone can put in penalties, but are they relevant to the business?
- What does an outage cost you?
  - Communicate it to the service provider
- SLA penalties mean higher cost to you

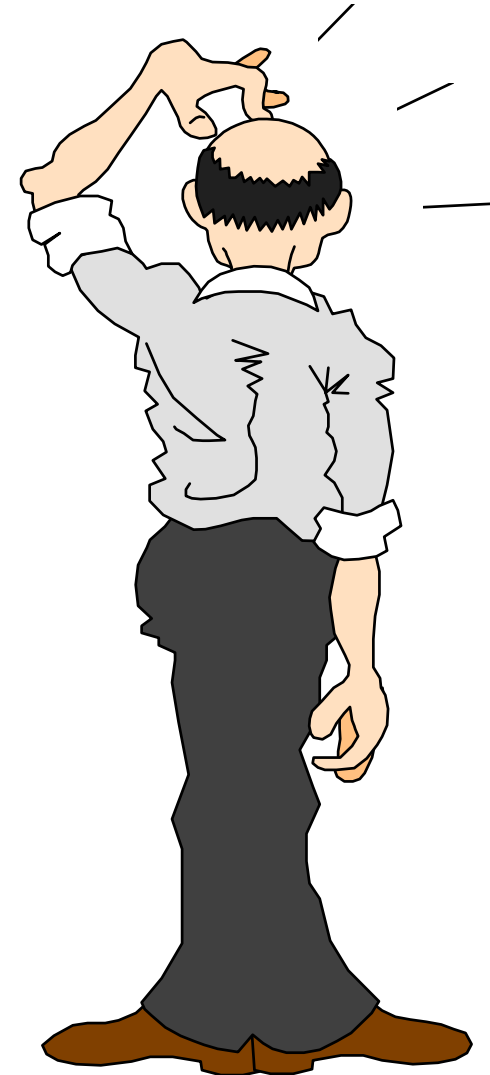
# Pay the fine – so what!

- Sometimes it's better for the provider to pay the fine then fix the problem
- This typically happens in lose-lose contracts
- The service provider is in survival mode rather than optimizing mode

**Be careful of service providers that agree to big penalties!**

# Review

- Key terms
- What do we put in the SLA
- Service Level Management
- Roles and Responsibilities
- Creating a useable SLA
- SLA pitfalls
- SLA Metrics
- SLA Infractions



# Q&A







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