

Strategic SLA Values and Impacts on business.



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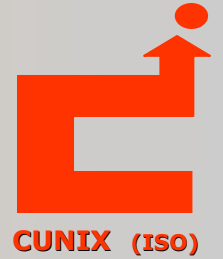
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Abbreviations



ISM - Integrated Supplier Management

QSM - Quantative Supplier Management

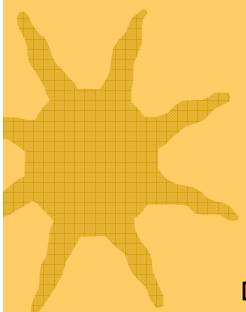
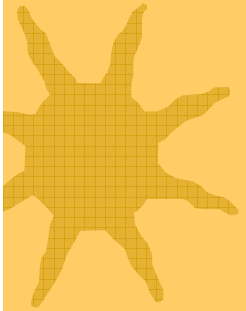
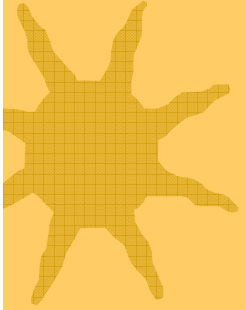
IPPD - Integrated Process and Product
Development

SAM - Supplier Agreement and Management

SLA - Service Level Agreement

SLR - Service Level Requirement

SLM - Service Level management



Definitions

- ★ Suppliers: May take many forms depending on business needs, including in-house vendors (i.e. vendors that are in the same organization but are external to the project), consultants, technology vendors, solution providers, fabrication capabilities and laboratories and commercial vendors.
- ★ Supplier Sourcing (SS): Applies to the acquisition of products/services and product components that are delivered to the project's customer. SS consists of Supplier Agreement Management (SAM-L2), Integrated Supplier Management (ISM-L3) and Quantitative Supplier Management(L4).
- ★ A formal agreement: A contract, a license, or MOU or a similar any legal agreement between the organization (representing the project) and the supplier.
- ★ Service level management (SLM) : The disciplined, proactive methodology and procedure used to ensure that adequate levels of service are delivered to all users in accordance with business priorities and at acceptable cost ensuring delightful customer care.
- ★ SLA: The instrument for enforcing SLM is service level agreement (SLA). An SLA is a written contract between a provider of a service and the customer. The purpose of the SLA is to establish measurable targets of performance with the objective of achieving a common understanding of the nature of and level of service required.
- ★ SAM Purpose:
To manage the acquisition of products/services from suppliers for which there exists a formal agreement.
- ★ Customer : Consumer of the service, wrt boundaries, expectations, rewards and penalties.



SAM with CMMI



Goal 1:

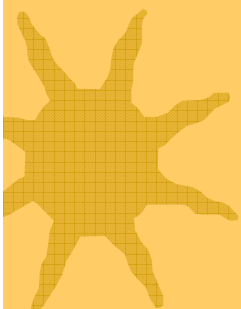
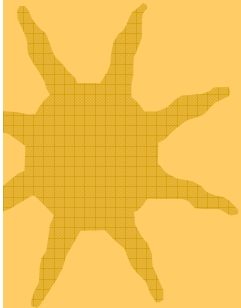
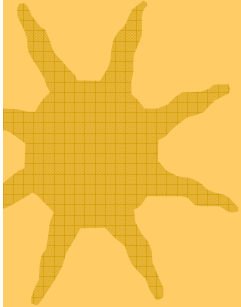
- ★ Determine Acquisition Type
- ★ Select Suppliers
- ★ Establish Supplier Agreements

Goal 2:

- ★ Execute Supplier Agreements
- ★ Monitor Selected Supplier Processes
- ★ Evaluate Selected Supplier Work Products
- ★ Accept the Acquired Product
- ★ Transition Products

Generic Goal:

- ★ Establish an Organizational Policy
- ★ Establish a Defined Process
- ★ Plan the SAM Process
- ★ Provide Resources
- ★ Assign Responsibility
- ★ Train People
- ★ Review COTS/MOTS Products
- ★ Manage Configurations
- ★ Identify and Involve Relevant Stakeholders
- ★ Monitor and Control the SLA
- ★ Objectively Evaluate Adherence
- ★ Review Status with Higher Level Management
- ★ Collect Improvement Information



SAM Ratings

	SAM				
Specific Goal 1					
SP 1.1	FI				
SP 1.2	LI				
SP 1.3	LI				
Specific Goal 2					
SP 2.1	LI				
SP 2.2	FI				
SP 2.3	FI				
SP 2.4	FI				
GP 2.1	PI				
GP 2.2	PI				
GP 2.3	FI				
GP 2.4	FI				
GP 2.5	FI				
GP 2.6	PI				
GP 2.7	FI				
GP 2.8	FI				
GP 2.9	FI				
GP 2.10	FI				
GP 3.1	PI				
GP 3.2	LI				

FI	
LI	
PI	
NI	





SLA Essential for Strategic Goals



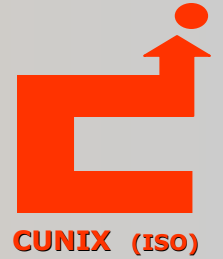
★ **Crafting SLAs:**

★ **Use a right dose of legal know-how and an in-depth understanding of the following :**

- **Scope, duration, location of service/ work to be completed**
- **Accountability (or the absence) of schedule, costs and human involvement.**
- **Service level objectives mapped with Business Objectives**
- **Performance Indicators, metrics and Rewards**
- **P3R : Pricing, Penalty, Profits and Reward - structure and mechanism**
- **Time and Duration (Turn Around Time, response time, Tolerance limits)**
- **Limitations and constraints**
- **Security, Insurance , packaging, delivery and storage procedures**
- **Quality check, Audit parameters and procedures**
- **Nonperformance indicators, impacts and consequences.**
- **Document , Review, Maintain and Change Control SLA**
- **Ensure and establish capability to “Deliver and Demand”**
- **Rights and obligations of both the parties**
- **Finally Get it signed !!**



Remedial Issues



- ★ Arbitration of Disputes, Legal issues, consequences and resolutions
- ★ Jurisdiction of the Contract and Courts
- ★ Risk Mitigation , contingency planning and Clauses for Liquidated damages
- ★ Notice Period for Termination of the Contract with provision for continuity of service during the notice period.
- ★ Clauses for Confidentiality, Ownership of products, copyrights etc.
- ★ Indemnification clauses with Acceptance and Rejection criterion
- ★ Agreement and consensus with Parties, Roles, responsibilities and Stakeholders

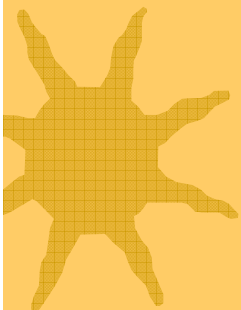
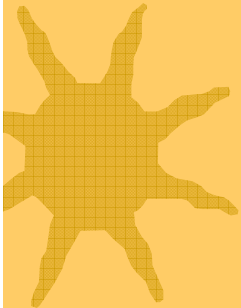
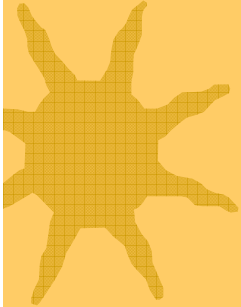


Types of SLAs (supplier types)



1. Internal
2. External
3. Multi Party SLA (The differences among the types refer to the parties involved in the definition of the SLA.)

- ★ Internal SLA : An agreement negotiated between an in-house service provider, such as an IT department, and an in-house client or department, such as marketing, finance or production. It is used by a service provider to measure the performance of the groups within its own organization.
- ★ External SLA: An SLA between an external service provider (third party) and an organization. Take care of business interests and prevent “Conflict of Interests.”



★ Direct benefits of Internal SLAs between IT and other departments to the entire organization.

- Managing expectations
- Boosting productivity
- Increasing employee morale.

★ Indirect Benefits of SLAs.

- Help in prioritizing work, which helps in providing good service, leading to better overall system performance.
- Fosters good relations between IT and other departments.





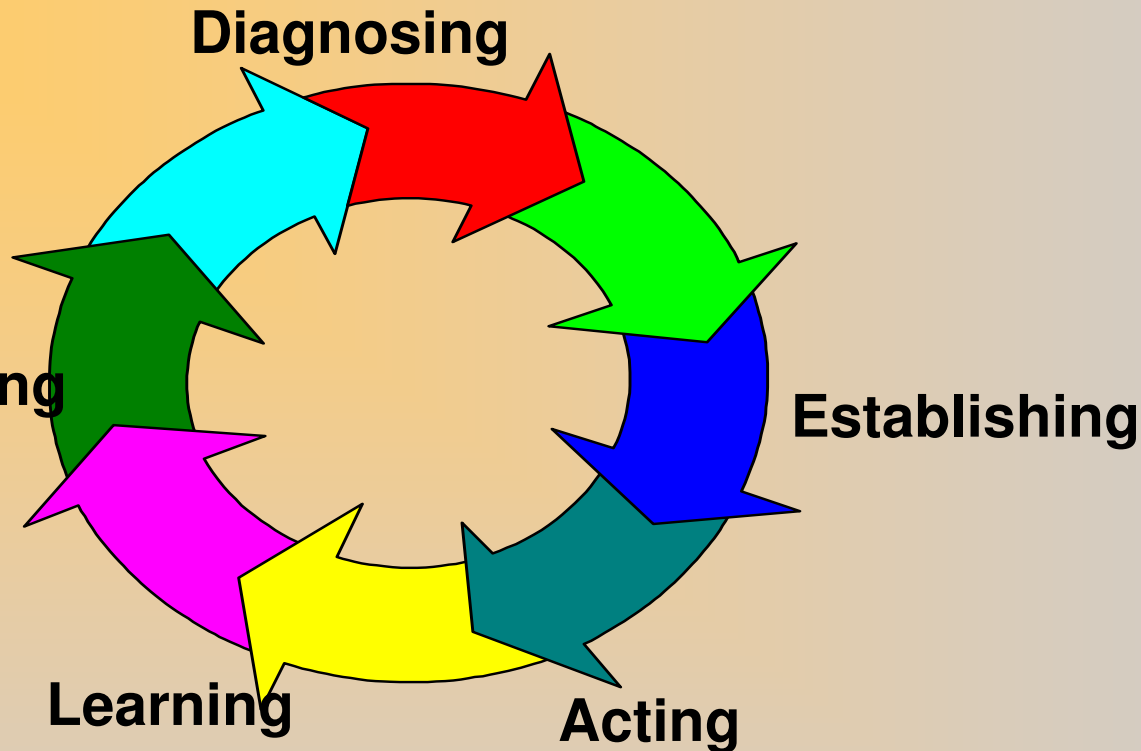
Creating an internal SLA .



Internal SLAs step-by-step

- ★ 1. Define requirements and expectations for an effective SLA to facilitate departmental/group Goals.
- ★ 2. Define means of measuring performance with understandable comparison points.
- ★ 3. Establish a system of rewards and training/RC analysis for compliance and noncompliance.
- ★ 4. Implement tools to periodically monitor SLA compliance for timeliness and accuracy, to make it effective.
- ★ 5. Review and Update the SLA Periodically for changes quickly, and reflect these changes in a timely manner.
- ★ 6. Get stakeholders written commitments !!

The Ideal Model



- Determine what you need
 - Determine when, where and how much you need.
 - Make an SLA.
 - Execute the SLA.
 - Learn lessons and optimize.



Customer Care



- ★ 24x7 support
- ★ Help desk performance evaluation
- ★ Defect log and resolution
- ★ Incident prevention
- ★ Confidentiality (NDA)
- ★ System uptime
- ★ Response and resolve time



Outsourcing Options



- ★ Business Process O/S
- ★ Training Process O/S
- ★ Knowledge Process O/S
- ★ Quality Process O/S
- ★ HR Process O/S
- ★ Purchase O/S
- ★ Logistics O/S
- ★ Security O/S

Whatever you outsource, ensure a Long term mutually profitable, No SQUEEZE , “Equal Partner” Win Win relationship!



Subcontractors Dependency Factors



- ★ Is the SLA dependant on vendor expertise for any critical areas?
- ★ Are there any ambiguities in vendor task definitions?
- ★ Is the vendor agreeing to reporting and monitoring procedures?
- ★ Is vendor technical/quality management outsourced?
- ★ How much is the expertise from subcontractor being transferred to company?
- ★ Are the communication method, frequency, format and escalation mechanism defined?
- ★ Are politics affecting the program for company, customer, associate contractors, and subcontractors?



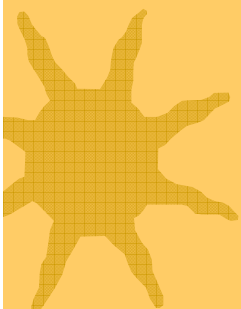
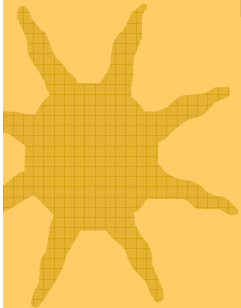
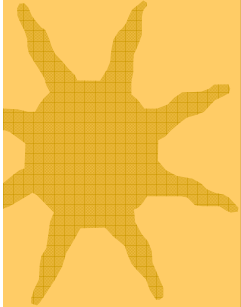
GOAL - Performance metrics of QSM



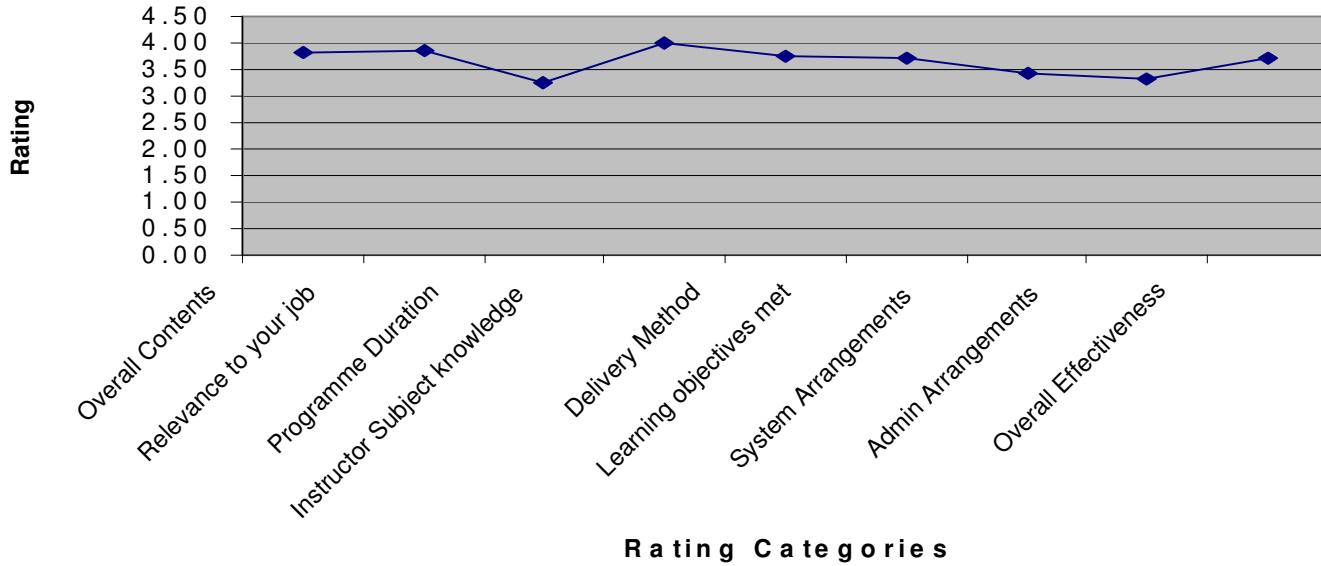
- ★ Identify and define realistic metrics (avoid unrealistically strict) that can be easily measured and analyzed to evaluate effectiveness of the SLA response time, performance, and availability.
- ★ Once requirements, metrics, and incentives are defined and in place, monitoring capabilities need to be implemented to ensure SLA compliance.

Some Measures :

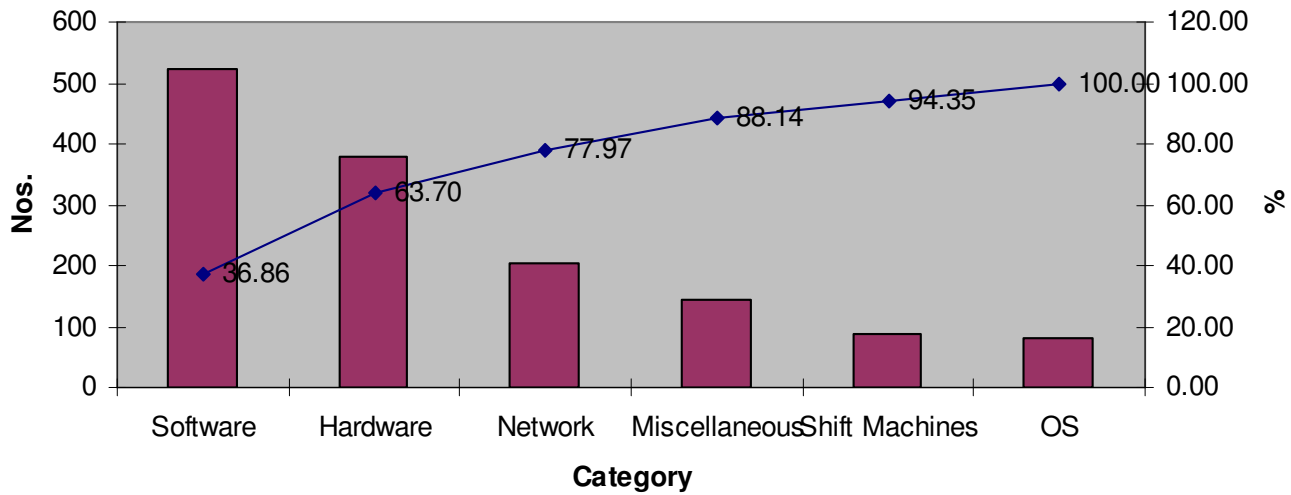
- ★ Effort Variance for TnM Projects
- ★ Schedule Variance for Time critical Projects
- ★ Response Time: 95 percent of requests must have no more than a 1-second response time and 5 percent may have a response time of between 2 seconds and 5 seconds.
- ★ Others: Internet backbone, or Internet congestion, could affect network response time.

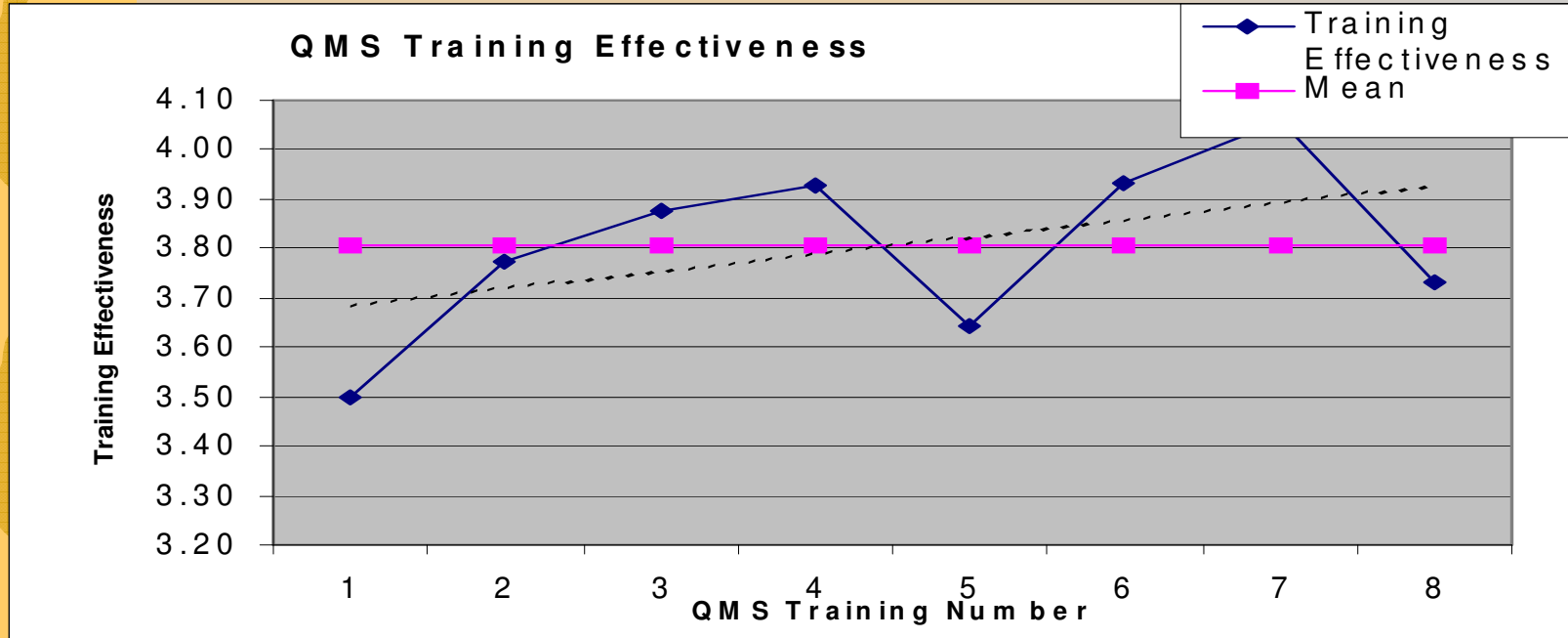
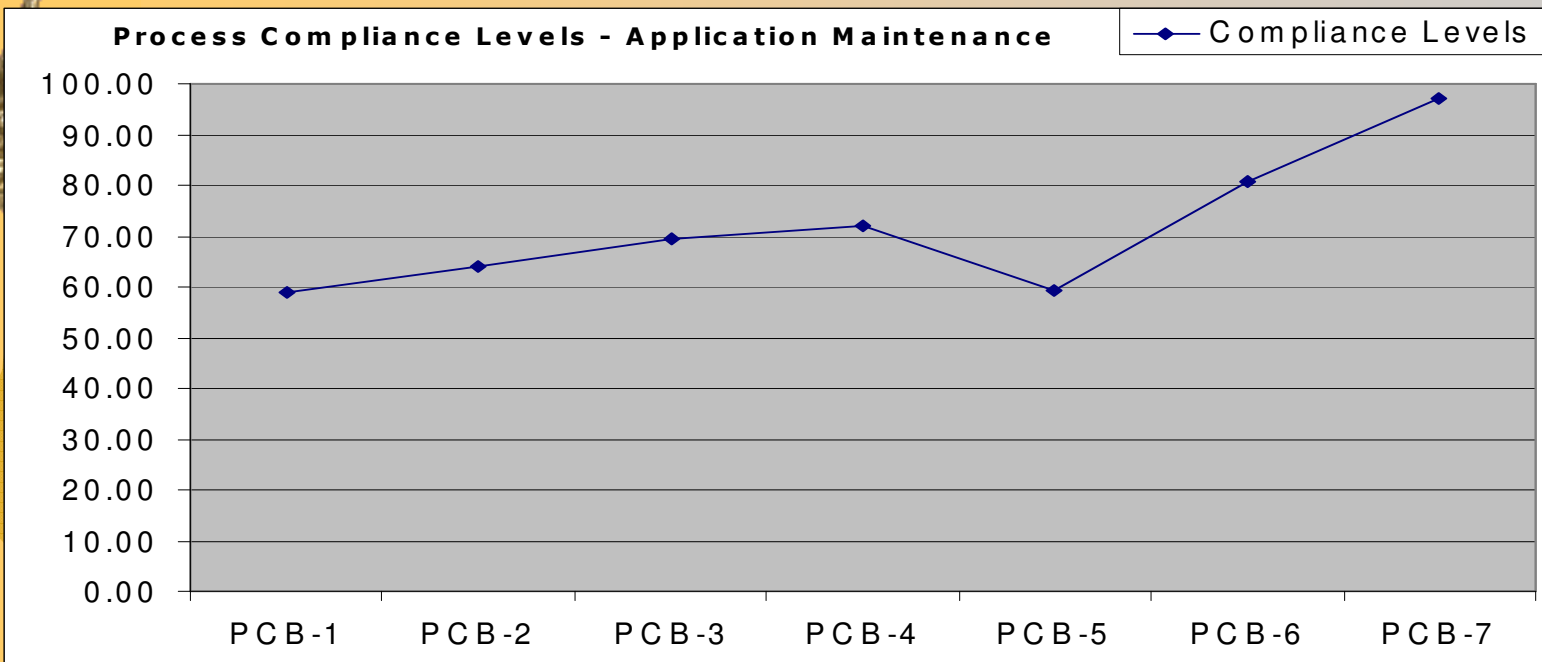


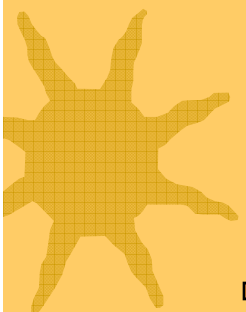
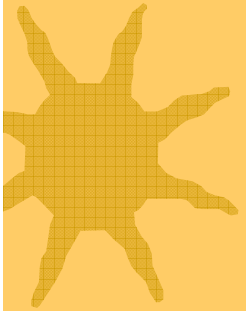
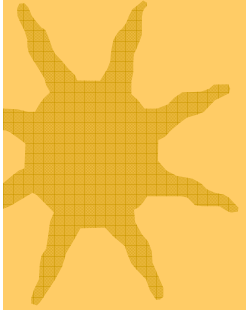
Training Effectiveness



Types of problems reported to System Administrator







SLM and SLAs Through COBIT



- ★ COBIT provides management guidelines containing tools to assess and measure the organization's IT environment against the 34 IT processes, spread into four IT domains-planning and organization (PO), acquisition and implementation (AI), delivery and support (DS) and monitoring (M).
- ★ A maturity model is a method of scoring that enables the organization to grade its maturity for a certain process from nonexistent (0) to optimized (5).
- ★ When doing this maturity assessment, it is important to comply with the basic principle of maturity measurement: one can move to a higher maturity only when all conditions described in a certain maturity level are fulfilled.

Table 2—Control Objectives for Defining and Managing Service Levels

High-level control objective

Control over the IT processes

defining and managing service levels

that satisfies the business requirement

to establish a common understanding of the level of service required

is enabled by

the establishment of Service Level Agreements which formalize the performance criteria against which the quantity and quality of service will be measured

and takes into consideration

- formal agreements
- definition of responsibilities
- response times and volumes
- charging
- integrity guarantees
- nondisclosure agreements
- customer satisfaction criteria
- cost/benefit analysis of required service levels
- monitoring and reporting

Detailed control objective 1: SLA framework

Management should define a framework to promote the definition of formal SLAs and define the minimal contents such as availability, reliability, performance, capacity for growth and levels of support provided to users. The users and the IT function should have a written agreement that describes the service level in qualitative and quantitative terms and defines the responsibilities of both parties.

Detailed control objective 2: Aspects of SLAs

Explicit agreement should be reached on the aspects that an SLA should cover (e.g., availability, reliability and performance).

Detailed control objective 3: Performance procedures

Management should implement procedures to ensure that the manner of, and responsibilities for, performance governing relations (e.g., nondisclosure agreements) between all the involved parties are established, coordinated, maintained and communicated to all affected departments.

Detailed control objective 4: Monitoring and reporting

A service level manager, responsible for monitoring and reporting on the achievement of the specified service performance criteria and all problems encountered during processing, should be appointed.

Detailed control objective 5: Review of SLAs and contracts

A regular review process for SLAs and underpinning contracts with third-party service providers should be in place.

Detailed control objective 6: Chargeable items

Management should include provisions for chargeable items in the SLAs, making trade-offs possible on service levels versus cost.

Detailed control objective 7: Service improvement program

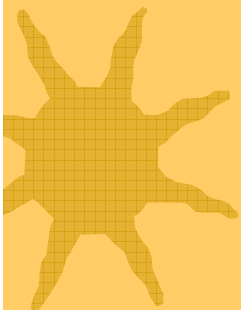
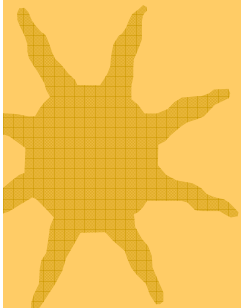
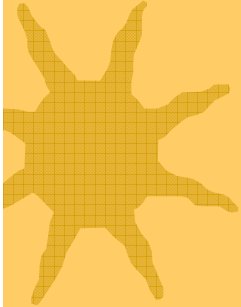
A process to ensure that users and service level managers regularly agree on a service improvement program for pursuing cost-justified improvements to the service level.

Table 4—CSFs, KGIs, KPIs for Defining and Managing Service Levels

Critical Success Factors	Key Goal Indicators	Key Performance Indicators
<ul style="list-style-type: none"> • Service levels are expressed in end-user business terms, whenever possible. • Root cause analysis is performed when service level breaches occur. • Skills and tools are available to provide useful and timely service level information. • The reliance of critical business processes on IT is defined and covered by SLAs. • IT management accountabilities and responsibilities are linked to service levels. • The IT organisation can identify sources of cost variances. • Detailed and consistent explanations for cost variances are provided. • A system for tracking and following individual changes is available. 	<ul style="list-style-type: none"> • Sign-off by strategic business unit that service levels are aligned with key business objectives • Customer satisfaction that the service level meets expectations • Actual-to-budget cost ratio in line with service levels • Percent of all critical business processes relying on IT covered by SLAs • Percent of SLAs reviewed at the agreed interval or following major change • Service level partners sign off service level monitoring information provided • Percent of IT services which meet SLAs 	<ul style="list-style-type: none"> • Time lag of resolution of a service level change request • Frequency of customer satisfaction surveys • Time lag to resolve a service level issue • Number of times that root cause analysis of service level procedure and subsequent resolution is completed within required period • Significance of amount of additional funding needed to deliver the defined service level

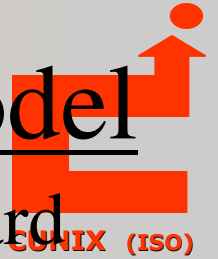
Table 5—Generic SLM BSC

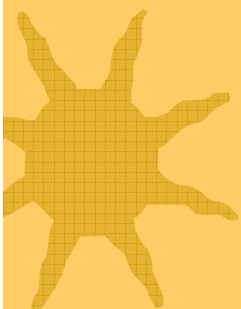
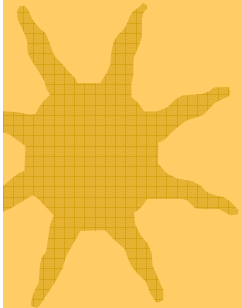
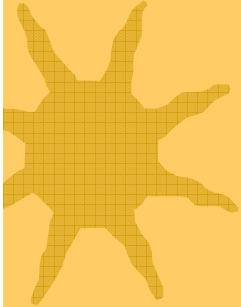
<p>User Orientation How do the users view the service level management process?</p>	<p>Corporate Contribution How does management view the SLM process?</p>
<p>Mission To meet business requirements of users and to improve user satisfaction</p> <p>Objectives</p> <ul style="list-style-type: none"> • Service level performance • User satisfaction <p>Measures</p> <ul style="list-style-type: none"> • Percentage of applications and operation services meeting SLAs • Score on user satisfaction survey 	<p>Mission To obtain a reasonable business contribution from SLM process</p> <p>Objectives</p> <ul style="list-style-type: none"> • Control of expenses for SLM • Maximum effect on the business <p>Measures</p> <ul style="list-style-type: none"> • Actual vs. budgeted expenses • Percentage of processes relying on IT covered by SLAs
<p>Operational Excellence How effective is the service level management process?</p>	<p>Future Orientation Is IT positioned to meet future service level management challenges?</p>
<p>Mission Effective service level management process</p> <p>Objectives</p> <ul style="list-style-type: none"> • Improvement of SLM process • Efficient account management • Efficient reporting of outages • Efficient performance reports • Efficient implementation process <p>Measures</p> <ul style="list-style-type: none"> • SLM maturity level • Number of failures to attend scheduled account meetings • Number of failures to provide outages reports in "x" hours • Number of failures to provide performance reports as agreed • Number of late implementations 	<p>Mission Develop opportunities to answer future challenges</p> <p>Objectives</p> <ul style="list-style-type: none"> • Permanent SLM training and education of IT personnel and end users • Research into SLM <p>Measures</p> <ul style="list-style-type: none"> • SLM educational budget as percentage of total IT budget • Percentage of IT staff and end users with completed SLM training • Percentage of IT budget spent on SLM research



★ SLM balanced scorecard - Model

- The concept of the SLM balanced scorecard technique has to be presented to senior management, IT management and the coworkers involved in the SLM process, and then an SLM project team has to be established.
- During the data-gathering phase, information is collected on SLM metrics. The metrics identified have to be specific, measurable, actionable, relevant and timely (SMART).
- Finally, the organization-specific SLM scorecard, based on the principles of Kaplan and Norton and a generic model, as presented here, can be developed.





SUMMARY - IMPORTANCE OF SAM



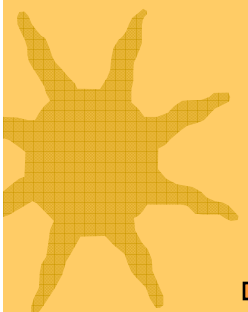
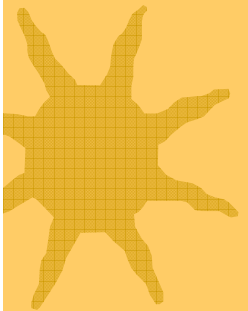
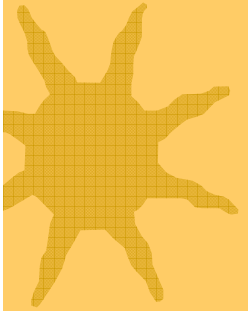
- ★ SAM helps an organization in the following
 - Choosing the right provider with Quality, price and reputation
 - To make up a properly drawn up contacts
 - A good value for money relation
- ★ Expectation for vendors
 - Project Scoping
 - Role clarity
 - Project pricing
 - Knowledge transfer
- ★ Vendor's expectation from Client
 - Project specifications
 - Prompt payment with clear treatment of taxes, duties, levies etc.
 - Client responsiveness



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THANK-YOU

Questions !!