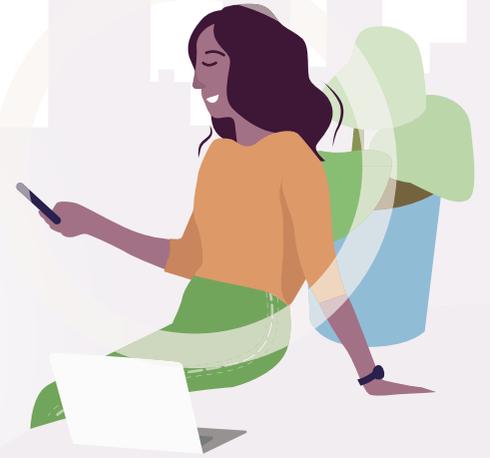


8 Tips to Help You Improve

Service Level Management

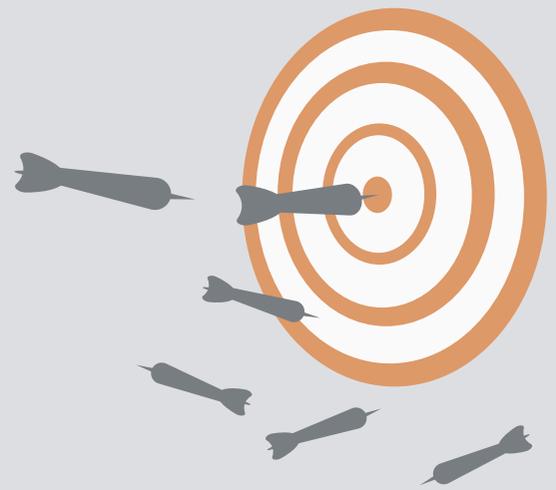
by **Stuart Rance**



What Is the Purpose of Service Level Management?

The purpose of service level management (SLM) is to understand and influence your customers' expectations about IT services, and to work with the rest of the IT organization to make sure you deliver services that meet these expectations. We document the customers' agreed expectations in a service level agreement (SLA). Meeting the service levels documented in the SLA is not an end in itself; the SLA is just a tool you can use to help you achieve the real goal — meeting your customers' expectations.

This seems straightforward enough, but all too often poor service level management results in soured relationships with customers. In the worst cases, poor outcomes may include expensive legal wrangling as well as valuable contracts being lost when they come up for renewal.



A Common Failing

Service level management is probably the most commonly misunderstood IT service management process. In my experience, many organizations act as though SLM is all about managing SLAs. This can have a very negative effect on their relationship with their customers, which they fail to understand because all the metrics show that they are achieving their targets. If your customer is not happy but you are meeting your targets, it is easy for you to feel exasperated because your customer is being unreasonable, and for your customer to feel angry because their concerns have not been addressed. Relationships can easily turn very sour indeed. This situation is often described as a “Watermelon SLA,” because it looks green on the outside but inside it’s all red.

Service Level Management Has Two Cycles

Service level management has two quite distinct cycles of activity.

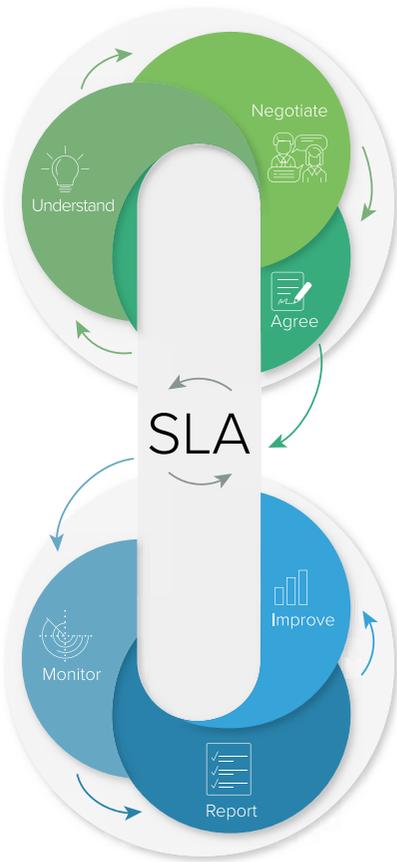
The first of these cycles can start when you are designing the service, but should continue throughout the life of the service. This cycle consists of three activities:

- 1. Understand.** Start by making sure you understand your customers' expectations. Make sure you can answer questions like: Why do they want to use this service? How will the service create value for them? What will be the impact on their business if the service is not working? What service levels would they like you to deliver? What can they afford to pay for the service?
- 2. Negotiate.** Once you have understood the customers' expectations, you should compare these to your capabilities, and recognize whether you are able to meet the expectations and what this would cost. Then negotiate with the customer to find an optimal set of service level targets.
- 3. Agree.** At the end of the negotiation you should agree on a set of service level targets, and document them. These are now your agreed service levels, your SLA.

These three activities are shown as a cycle because you should not stop after coming to an agreement. The customers' requirements may change as their business changes, or as the competition or other environmental influences change. Your capabilities may also change, making it possible for you to negotiate and agree on improved service levels. There should be an ongoing process of understanding, negotiating and agreeing on service levels.

The second cycle cannot start until the service is in use by the customer. This cycle also consists of three activities:

- 1. Monitor.** You need to constantly monitor the service to ensure it is delivering what your customers expect. This monitoring should enable you to track the status of all the service level targets that you have documented and agreed upon with your customer.
- 2. Report.** Create regular reports based on the data you collect from the monitoring. These reports should be focussed on things the customers care about. Of course the reports don't need to be long boring paper documents, you can use a constantly updated dashboard, or any other communication tool that works well for your customers.
- 3. Improve.** Use the information you have collected and reported to plan improvements to your services. Sometimes this step will lead to a new understanding of customer requirements and trigger the Understand-Negotiate-Agree loop described above.



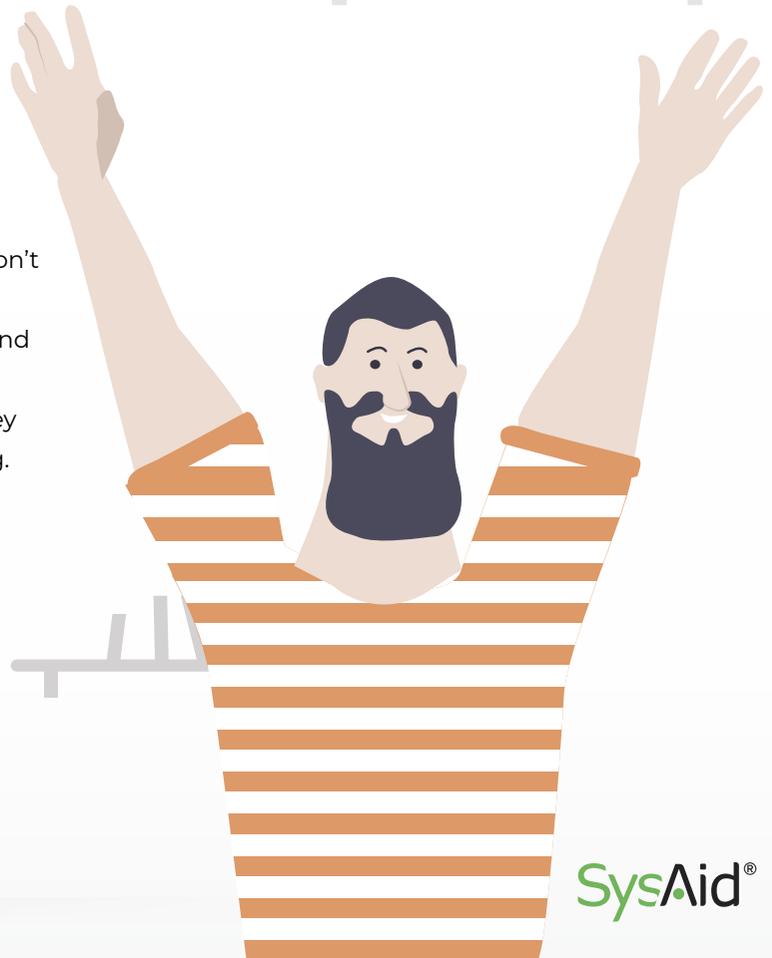
As with the first cycle, this second one doesn't end. You need to keep monitoring, reporting and improving throughout the life of the service.

Here are some tips to help you improve how you do service level management. You can make use of these tips whether you are an internal service provider, providing IT services to other departments within your own organization, or an external service provider, providing IT services to paying customers.

#1. Customer satisfaction is more important than meeting numerical targets

The very first SLM activity in the two cycles I described above is to understand the customers' expectations. When you speak to your customers it is unlikely that they will explain what they want in terms that are easy to measure. A typical customer expectation might be that "Downtime of the service should not have a significant impact on our business processes" or "Data should be protected so that we don't have any embarrassing security breaches." You should capture these customers' expectations and include them in the SLA.

You can then identify a small number of key performance indicators (KPIs) that you can measure for each of these expectations. For example, "Priority 1 incidents will be resolved within 2 hours" or "We will achieve and maintain ISO/IEC 27001 certification." Don't have too many of these KPIs, remember that the K stands for Key. The idea is to measure, report, and trend the most important things, not everything you could possibly measure. If you have too many KPIs then they won't help to influence behaviour or decision making.



#2. Make sure that your numerical targets are as SMART as possible

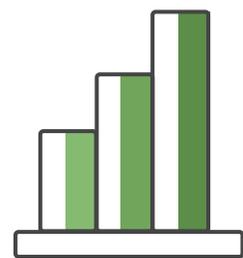
It is important to have measurable service level targets in your SLA. Ideally every target should be SMART:

- **Specific.** A specific target is focussed on a clearly identified situation that you want to understand. For example “How quickly do we resolve incidents? or “How many transactions do we process each minute?”
- **Measurable.** A measurable target has a clearly quantified value that you are able to measure. This doesn't always mean that the target has to be numerical. For example, a target could be “We will achieve and maintain certification against the ISO/IEC 27001 security standard." This may have a simple yes/no measure.
- **Achievable.** An achievable target is something that you should be able to meet, within the constraints and resources that you have.
- **Relevant.** A relevant target is one where achieving the target is closely linked to the underlying goal or purpose. For example, “Resolving priority 1 incidents within 2 hours” may help to demonstrate that you are meeting the real goal of protecting a business process from the impact of IT failures.
- **Time-bound.** A time-bound target has defined times and durations over which it is measured. For example, “Measured over a three month period and reported at the end of every month.”

SMART targets enable us to clearly and unambiguously report our achievements, and to understand and report trends. Unfortunately, as I have already said, the things our customers want are often difficult to express as SMART targets, and so the wrong type of focus on these SMART targets can result in the situation I described above as a “watermelon SLA,” where a service provider meets all of their targets while completely failing to satisfy their customers.

When you report to your customer, you should include the measured values from the SMART targets, but you should talk about the actual customer expectation and experience. For example, you might say something like “Your expectation was that downtime of the service would not have a significant impact on your business process. There were two priority 1 incidents this quarter and both were resolved within the agreed 2-hour time. Do you agree that we met your expectations? This gives the customer an opportunity to either agree with you, or to help you understand why the SMART target was not right, so that you can re-negotiate the service levels.

The important thing to remember is that the SMART targets will never completely capture the customer's underlying expectations. That is what the service level manager is for.

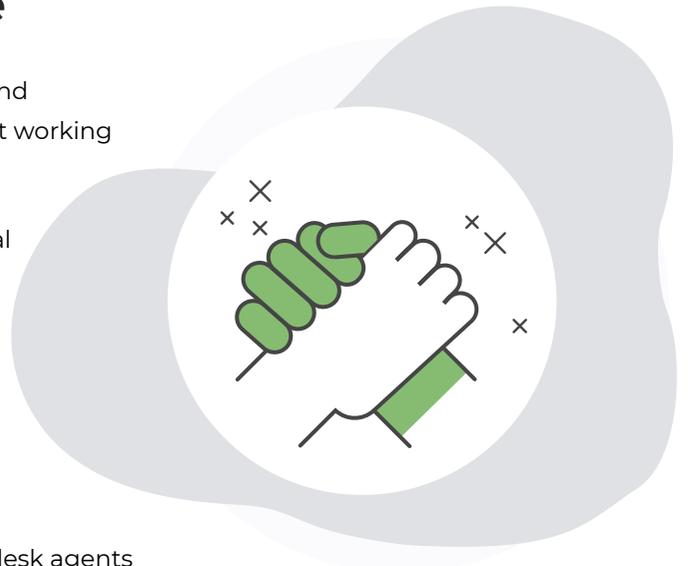


#3. Keep SLAs short and simple

An SLA should be easy for both you and your customer to read and understand. It should also be easy to modify if the targets are not working either for you or for the customer.

Long and complex SLAs are common when there is a contractual relationship between the service provider and their customer. This situation can be made even worse when the KPIs in the SLA are used to manage financial rewards and penalties. Service providers are encouraged to focus on meeting the numeric targets, regardless of whether this is in the customer's interest; and customers tend to become confrontational and suspicious instead of facilitating the service provider's efforts to help them. On one occasion I saw a service provider tell service desk agents to ignore priority 2 incidents and focus on priority 3 incidents, because the target for priority 2 incidents was safe but there was a risk of missing the target for priority 3. This behaviour worked as intended, at least in the short term, as there was no financial penalty that month, but the customer found out about it and was very angry. SLAs that include financial rewards and penalties encourage a confrontational and dysfunctional relationship between the service provider and their customer. Avoid using these wherever possible.

I have seen SLAs that include 30 or more separate documents, some of which were hundreds of pages long. I really don't understand how an SLA like this can be used to help manage customer expectations. My advice would be to separate the SLA from the contract for delivery of the service. The contract should have contractual terms and conditions; the SLA should be referenced from this contract but should not be part of it. This way you can modify the SLA (by agreement) when you need to, and you can use it to help you focus on delivering services that meet your customers' expectations. I do understand the need for legal language in a contract to supply services, but I am not convinced that we need to embed the SLA within this legal document.



#4. Make sure your KPIs are customer facing

SLAs should focus on customer expectations and customer-facing KPIs, not internal IT-centric ones. For example, an SLA should not include KPIs like “Number of incidents per service desk agent” or “Average time to find root cause of a problem.” These are internal KPIs that may be important to a service provider but they are not relevant to the customer. Customer-facing KPIs in an SLA should include things like “Number of incidents not resolved within agreed times” or “Business impact of top 5 problems” — measures like these are directly relevant to how well the IT organization is helping the customer meet their business goals.

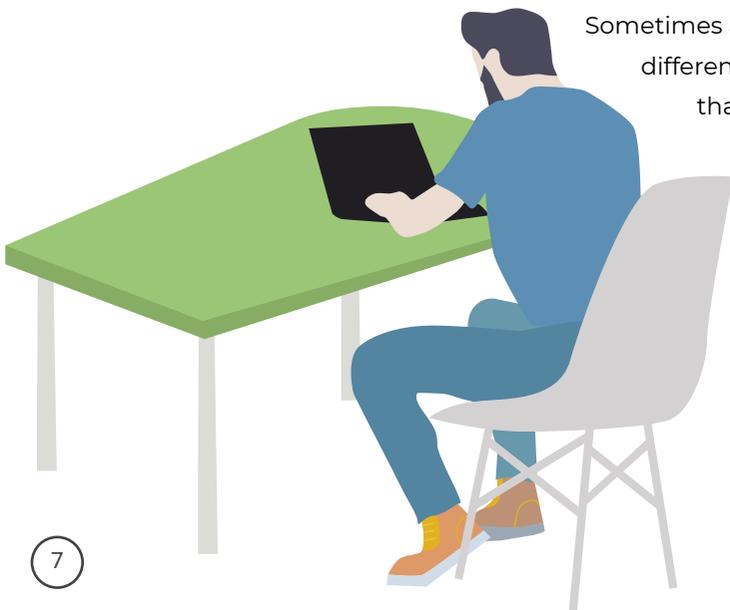
#5. Use generic service levels whenever these are appropriate for your customers

All the advice I have seen on service level management says that you should understand what your customers want and then negotiate and agree service levels. In fact, the Understand-Negotiate-Agree cycle that I described above repeats this advice.

In practice it can be difficult and expensive to deliver individually customized service levels for every customer, and very few service providers do this. The most cost-effective approach to take is to understand what the majority of your customers are likely to want, in general terms, and then design your services and your infrastructure to be able to deliver this. Where possible you should design each service so that it can deliver a range of different service levels: for example, you might offer three different levels of availability or performance based on using different infrastructure to host the service, or you might offer two different response times for incident handling.

If you have standard packages that you can offer your customers, then the negotiation and agreement are greatly simplified, because you just need to explain your various options to the customer and help them to decide which option is the best fit for their needs.

Sometimes a customer will have a real need for a service level that is different to your standard offerings. You should avoid telling them that they have to take a standard service offering that doesn't meet their need. You should put some real effort into understanding what the customer needs, and then working out what it would take for you to meet that need. Designing a custom solution for the customer is likely to be much more expensive than if they had chosen a standard service offer, but if you are straightforward with the customer about the cost of negotiating a custom service level, then this will allow them to make a choice based on what they can afford and what their real needs are.



#6. Reports should be forward looking; don't just report what has happened

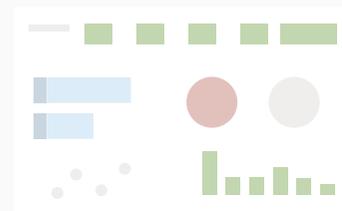
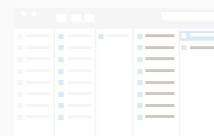
An essential part of service level management is creating regular reports for your customers. Typically, these are created every month and delivered to the customer by a service level manager in a face-to-face meeting, but details like this obviously depend on the exact relationships you have with your customers.

The service level reports you create for your customers should include information about your KPIs. However, it is not sufficient to just report the measured results for the KPI. Your reporting must help your customer to understand how the measurement and reporting of this KPI will influence how you deliver service to them. For each KPI you should include information about:

- The value of the KPI for the reporting period. For example: "Average time to resolve P2 incidents was 4.1 hours."
- Whether any thresholds were exceeded. For example: "This was outside the agreed KPI threshold of 4 hours."
- The trend for the KPI. For example: "This is slightly better than last month and is a significant improvement on the figures from the previous three months."
- Any changes or improvements that you plan to make to improve the service based on this KPI. For example: "The improvements we have already put in place are continuing to improve the time it takes to resolve incidents, and we expect further improvements as we continue to populate the new knowledge base. This KPI will almost certainly return to acceptable values from next month."

Obviously you use the data from your monitoring to inform your customer about what has happened, but the most important use of the report is to show your customer that you understand why this happened and inform them about what you are planning for the future. You should also think about providing your customer with a dashboard to allow them to have real-time monitoring of KPIs that are especially important to them.

Your service level reporting should be as much about the future as it is about the past.



#7. Plan improvements, even if you are meeting all your service level targets

Some IT organizations think that if they are meeting all their KPIs then there is no need to make improvements. They effectively collapse the second SLM cycle from Monitor-Report-Improve to just Monitor-Report. I've heard two different arguments in support of this approach:

- We are already meeting the customers' expectations, and if we improve the service this could set a new level of expectation that we will now have to continue meeting.
- We are an external service provider and if we improve the service without additional charges then this will discourage the customer from purchasing higher levels of service.

I think that both of these arguments are wrong, because they ignore what is happening around you. Other organizations are making improvements all the time. Your choice is not whether to make improvements or stay where you are. It is whether to make improvements or gradually fall further and further behind your competition, until you become irrelevant.

Some organizations might think that they are exempt from this because they have no competition, but this is never true. For example:

- If you are an internal service provider and your customer has no choice other than to use your services, I can almost guarantee that the most senior management in your organization will have reviewed the possible cost and benefits of outsourcing. If you're still delivering services at the cost and quality that you were 10 years ago then the argument for outsourcing will be irrefutable.
- If you are an external service provider and your customer is tied to a long term contract, then you still need to keep improving your service if you wish to maintain your competitive edge and your reputation. Customers that are not satisfied with your services are less likely to purchase additional services from you. Furthermore, these existing customers invariably talk to other potential customers about the services they receive, and if they are dissatisfied this will have a huge impact on your ability to win new customers.

So even if you regularly meet every KPI in your service level agreement, you should still deliver regular reports to your customers showing how you plan to improve. Maybe the improvement will simply be to change the KPI targets to make them a little more challenging, or maybe you will plan real improvements in the underlying service. Ideally you will offer a combination of both.



#8. You can agree on SLAs, even if the customer doesn't trust them

I have worked with a few organizations where the IT department was unable to put SLAs in place because the customer had had a previous bad experience, and thought that an SLA was simply a tool for the IT department to hide behind. The typical customer comment was "we want the service to be available all the time, we're not prepared to negotiate a lower level of availability so you can have an excuse when it fails."

In one case that I came across, the IT department did the best they could for a customer like this, but failure to understand the customer's real IT needs through the process of negotiating and agreeing on a detailed SLA resulted in the catastrophic failure of a major business project after the organization had spent \$20M over a 12-month period. The customer wanted the service to be "available all the time," and so their IT organization implemented high availability technology. The design meant that the service might stall for between 10 seconds and 2 minutes when there was a hardware failure. This would be a reasonable and perfectly adequate interpretation of "available all the time" for most customers under most circumstances. Unfortunately, what **this** customer actually needed was for no failure to last longer than 300 milliseconds. If the project had been allowed to continue, then the first time there was a hardware failure — even though the incident would last no more than a couple of minutes — the business impact would have been disastrous.

Customers like this can be a huge problem for the service provider, because they are effectively denying their responsibility for understanding their own needs and for setting the trade-off between cost and service levels.

An illustration showing two hands holding coffee cups. The hand on the left is light-skinned and holds a white mug. The hand on the right is dark-skinned and holds a white coffee cup with a black lid. The background is a light purple and white gradient.

An approach that has succeeded with a number of my clients is to acknowledge the customer's concern and to avoid using the term SLA. You could, for example, go to your customer and explain that you are planning to make improvements to the service, and you will measure and report two or three things to show how effective the improvements are. Then ask the customer what they think you should measure. One organization where I recommended this has gradually increased the number of things they measure and report, without ever introducing SLAs. The service level manager is now in a position to really understand and influence customer expectations, and work with the rest of the IT organization to make sure IT services meet these expectations — which is the reason for wanting an SLA in the first place.

Summary

The tips in this paper are intended to help you improve how you carry out service level management. If you focus on the two cycles, Understand-Negotiate-Agree and Monitor-Report-Improve, and follow these tips, then you will do a great job of aligning your services to the needs of your customers:

#1. Customer satisfaction is more important than meeting numerical targets

Never lose focus on the really important thing: understanding, influencing and meeting your customers' expectations.

#2. Make sure that your numerical targets are as SMART as possible

SMART targets are specific, measurable, achievable, relevant, and time-bound.

#3. Keep SLAs short and simple

Make sure your SLAs are short and easy for you and your customer to understand and to change if necessary. Avoid SLAs that include penalties and rewards; if these are required, try to keep them in a contract away from the SLA you use to help you manage customer expectations.

#4. Make sure your KPIs are customer facing

KPIs should be focussed on the things that matter to your customer – the customer facing outcomes of the services you deliver.

#5. Use generic service levels whenever these are appropriate for your customers

It's much more efficient, and cost-effective, to offer a small number of generic service levels to all your customers. If a customer really needs something different, then you should make sure they understand the full cost of providing an exceptional set of service levels.

#6. Reports should be forward looking, don't just report what has happened

Remember that the purpose of reporting is to help you understand, influence, and meet customer expectations. Don't just report what happened but make sure the customer understands trends. Tell the customer how you plan to improve and what service levels they can expect in the future.

#7. Plan improvements, even if you are meeting all your service level targets

Service improvement isn't an optional extra. The alternative to improvement is not staying still — it is gradually becoming irrelevant. Even if you are meeting all your agreed service level targets you should still be planning how to improve the service, and reporting these planned improvements to your customers.

#8. You can agree on SLAs, even if the customer doesn't trust them

The SLA is not an end in itself, if the customer doesn't want to use SLAs then you can still understand, negotiate, and agree on the service you will deliver, and then monitor, report, and improve.

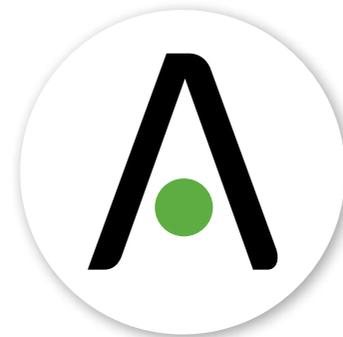
If you follow these tips then you will deliver services that meet your customers' expectations. This will result in increased customer satisfaction and reduced customer complaints — surely that's a goal worth a bit of effort on your part.



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About Stuart Rance

Stuart is a consultant, trainer and author, and is an expert in ITSM and information security management. He was an author for ITIL 4, ITIL Practitioner, RESILIA™: Cyber Resilience Best Practice, and ITIL Service Transition. Stuart is an examiner for RESILIA and ITIL, and teaches these as well as CISSP and many other topics. Stuart also provides consulting to organizations of all sizes, and in many different countries, helping them use ideas from IT service management and information security management to increase the value they create for themselves and their customers.



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