YOU'VE BEEN SERVED

Service-level management provides a measuring stick for provider performance BY TIM WILSON

At some point in the workday, nearly every IT professional gets frustrated with a service provider. An ISP that delivers a slow connection. A consultant who doesn't show up on time. A vendor helpdesk that regularly has a 10-minute wait before someone answers the phone. Such poor service makes you want to beat your head against the wall because often, there's little you can do about it ... and you're paying for it.

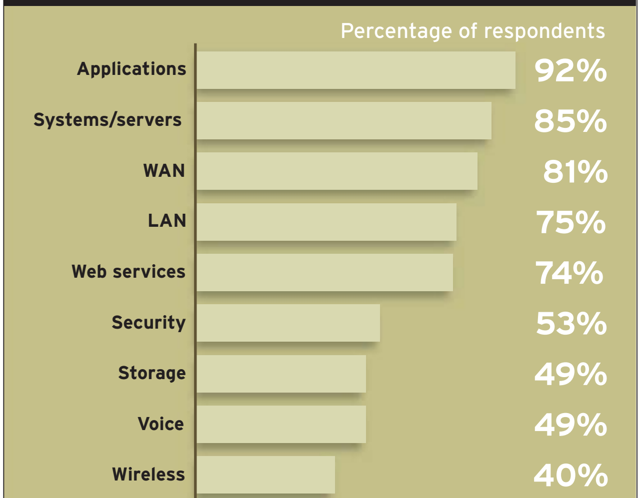
Businesses spent more than $570 billion on outsourcing services alone last year, according to Gartner. But user satisfaction with those services is decreasing, a recent *InformationWeek* survey found (see *informationweek.com/story/showArticle.jhtml?articleID=164301178*). IT managers have expressed similar frustrations with WAN voice and data services, where the move to new IP technology frequently has resulted in lower service reliability than providers delivered on the old PSTN.

Bottom line: When it comes to IT services, many feel they're paying more these days, but getting less. But how can you cut service costs and improve service reliability—or at least ensure you're getting the service you paid for? To make IT services more affordable, enterprises are seeking ways to monitor the service-provider performance and measure that performance against their requirements and service costs. This process, called service-level management (SLM), is the best way to manage your provider's performance and decide when it's time to renegotiate a service contract—or find a new provider.

When Domino's Pizza guaranteed to deliver in less than 30 minutes or not charge for the pizza, it established one of the best-known examples of SLM in recent history. The contract was simple, but it contained all the aspects of a good SLA (service-level agreement): It defined a service (pizza delivery), a metric for measuring performance (30 minutes from the time of the call) and a penalty for failure to meet the SLA (free pizza).

This same concept can be applied to WAN services, IT contracting services and vendor product maintenance, albeit on a more complex level. A clearly defined SLA provides a structured framework for managing the

Types of SLAs



Source: Enterprise Management Associates service provider's performance, setting realistic expectations for users, and ensuring your organization pays only for the quality and quantity of services it receives.

Cornering the Elusive SLM

Although the concept of SLM has been around for decades—the term dates back to telephone services under Ma Bell—it's unfamiliar territory for many enterprises, particularly small companies that might feel they lack enough leverage to demand specific service levels.

"The most frustrating element of dealing with an external service provider is trying to communicate within a larger organization," says Bob Page, CIO of NorthStar Memorial Group. "We have to restate our priorities or problems frequently, and it's hard to create a true partnership when you are a small company."

The legal issues surrounding SLM discourage others. "Most of our contracts include some penalty clauses for failure to meet contractual requirements," says an IT admin for a state government who has requested anonymity. "It's hard to get agreement on penalties, and difficult to impose them without legal fights."

Even large companies sometimes find SLM a rough ride. "The most difficult aspect is getting a response—and movement—from the service provider," says Robert Odenheimer, senior vice president for IT operations and telecommunications at Magellan Health Services, a $1.8 billion managed behavioral health service. "Although we're a large customer, we are still one of many. Getting them to recognize our needs and react to them—without breaking something else—is difficult."

Despite all these challenges, however, organizations that have navigated the SLM maze agree there's a fat piece of cheese at the end. "We meet with our WAN service provider once a month to review performance," Odenheimer says. "If it doesn't correct the issues, we'll move to another carrier, and it doesn't want to lose the business."

Even a slight improvement in service performance can create a savings for the enterprise. A new study by Visual Networks, which makes some of the instrumentation service providers use to monitor network performance, notes that a 2,500-employee company with an average weighted salary of $37,500 and a downtime incidence of 2 percent could save more than $40,000 in annual user productivity by cutting that downtime by 45 percent.

Establishing Service Levels

How can enterprises build an SLM into the services they buy? The best way is to negotiate expectations and metrics for performance into the contract before signing a deal. In many cases, this SLA isn't included in the standard language of a provider contract. Be wary of sales reps who say it's "all covered" in the standard contract. Be prepared to negotiate a contract that includes methods for measuring and maintaining the aspects of that service that are most important to your business.

Some service providers include performance metrics and goals in their contracts, but you must ensure their metrics meet your requirements. If your business cannot afford to miss a single transaction—as in the case of financial institutions—the best measure of your service provider may be its availability, as measured by uptime or session failures. If your business deals directly with consumers online, performance and response time—as measured by page load times or abandoned shopping carts—might be the best metric. If you are contracting with a provider for network services, consider using metrics that are specific to your critical applications: latency for VoIP (voice over IP), jitter for video or response time for top-priority apps in a mixed-traffic environment.

Choose metrics that can be measured empirically, preferably with an independent tool or measurement service. Although most providers are honest, a provider could tinker with the results of performance measurements if it also own the means of monitoring. A contractor might promise to pay a penalty if its work is late, without making any promises to repair errors at no charge. A service provider might agree to respond to trouble calls in less than an hour, without making any guarantees on actual repair time. Read the fine print.

If you have performance requirements that aren't covered in the standard contract, you may need to negotiate an SLA, which will define the service to be delivered and, just as important, the requirements for the provider's performance and the means for measuring it. If you hire an outside firm to manage your helpdesk, for example, the SLA should not only include the number of contract employees, their hours and responsibilities—which are usually defined under the standard service contract—but also requirements for call response time and a schedule for periodic surveys to gauge customer satisfaction.

For measuring WAN service performance, there is a

AFFORDABLE IT

MANAGING SERVICE PROVIDERS

Contracting for vendor services can be maddening. There's always the possibility the contractor won't deliver, or won't deliver as promised. What's an IT manager to do? In this installment of Affordable IT, Tim Wilson explores how SLM (service-level management) can ensure you don't end up paying for poor service.

We give you tips for negotiating contracts with big companies that might offer SLM or might not be willing to change the way they do business. Sometimes the vendor's SLA isn't in your best interest, so we explore ways to tailor your agreement to your company's needs and get the most out of your SLAs. Even a little improvement in vendor service can mean a big cash savings, and a common understanding of what is expected means a happy relationship between you and your vendor for the life of the contract.

wide variety of potential metrics. For companies with customer-facing or latency-sensitive applications, network response time might make the difference between keeping and losing a customer. In other businesses, uptime might be more important than response time, and the SLA can be measured by the reliability or availability of the provider's link. In some cases, the SLA might be benchmarked by the provider's response to problem conditions, using metrics such as helpdesk response time or mean time to repair.

"We look at total downtime, speed to repair and who caused the problem," says Magellan Health's Odenheimer. "Probably 90 percent of all our WAN problems are in the 'last mile,' where the service is going over the local exchange carrier's lines and is not on the WAN provider's network. In these instances, time to repair is the best measurement, as it demonstrates the WAN provider's ability to get a response from the LEC."

Once you have both agreed upon which metrics to use to measure the provider's performance, you'll also have to agree on the measurement tools. With a contractor, time to completion can be easily measured with a calendar and clock, but the burst rate for a frame-relay circuit requires special monitoring software. You may choose the service provider's reporting tools or use a third-party benchmark, such as Keynote Software's services, which provide an independent measure of ISP uptime and performance from various points around the globe. If you're using a contractor to perform services on your internal network, a host of products can be used to monitor service levels, including tools written specifically for the task, such as Empirix OneSight or InfoVista's SLM suite.

Finally, once you've agreed with your service provider on the performance levels that'll be delivered and the methods for measuring them, you must reach an agreement on what will happen if the goals aren't met. Most SLAs include some sort of penalty if the service falls below par, but cutting your bill may be a cold comfort if your business endures hours or days without service. The key is to reach an agreement that drives a provider to deliver good service, while making it painful to deliver poor service. A good SLA offers carrots as well as sticks.

SLM Pitfalls

If an SLM is such a great way to ensure providers deliver on their cost and performance promises, why don't more enterprises use them? The simplest answer is that most service providers don't like having their feet held to the fire, and they wince at customized contracts. A small consulting firm that handles a lot of custom projects will have no problem with an SLA, but most large providers have a standard way to deliver and monitor their services.

If a prospective provider is balking at the notion of signing a custom SLA, you can honor the provider's wishes and skip the SLA; you can tell the provider to go fly a kite and seek out a competitor that is willing to work with you; or you can find out if the provider offers any "standard" classes of service that might meet your needs. In a competitive market where there are many service providers, you'll often find one willing to negotiate.

SLM also has been slowed by legal issues surrounding SLA enforcement. In some cases, providers have signed SLAs and then refused to pay penalties for poor performance, blaming users or external forces for failures. Such refusal can create problems for smaller businesses, which often don't have the legal resources to match swords with their providers.

More commonly, SLM fails to reach its potential because of inattention. Many enterprises feel they can set an SLA and forget it, as they would do with a thermostat, responding only if trouble is reported. But a good SLA is fluid and evolves with an enterprise's changing needs and business conditions. As your service needs change, so should your performance levels or metrics. NWC

AFFORDABLE IT TIPS

HOW TO MANAGE YOUR PROVIDER'S SERVICE

» **DETERMINE YOUR PERFORMANCE REQUIREMENTS.** Consider your needs for service reliability, availability, performance, trouble response and mean time to repair. If the provider offers classes of service that meet your requirements, you may not need a separate SLA. If performance and availability metrics are vague, however, ask for some service guarantees.

» **AGREE ON COMMON METRICS.** Work with your provider to define the level of performance that will be delivered and the means that will be used to measure that performance.

» **USE COMMON TOOLS FOR PERFORMANCE MEASUREMENT.** If the customer and the provider have different yardsticks for measuring performance, disagreements will likely follow.

» **OUTLINE ALL YOUR CONTINGENCIES.** What happens if the provider doesn't meet its service-level promises? What happens if it exceeds those promises? A good SLA defines a set of legally enforceable penalties and/or incentives that make it clear how the vendor will respond if service levels aren't met.

» **DEFINE THE SERVICE.** Before you sign anything, be sure your service contract defines exactly what the provider will deliver, when those services will be delivered and how much it'll cost.

» **RE-EVALUATE YOUR REQUIREMENTS AND SERVICE-LEVEL METRICS.** As your business and your IT environment change, your priorities for performance may change as well. Avoid long-term SLAs, and be willing to alter your performance metrics as your business needs change.

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