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Creating a Service-Level Agreement for the IS Organization

Enterprises often struggle with deciding which content to include in service-level agreements between the IS organization and the business units. We provide guidelines to assist enterprises in creating these documents.

Core Topic
Business Management of IT: Service
Management Strategies

Key Issues
What best practices will drive integrated service management to manage the service impact on the enterprise?

What IT service strategies and practices will enterprises use to manage and optimize IT investments?

To have successful service levels, the IS organization and the business units need to mutually agree on the specific service levels that will be measured and on each party's role and responsibility in terms of managing the service levels. Often, IS organizations get bogged down with attempting to build service agreements without having templates on design, planning and format. To assist enterprises, Gartner has prepared a basic structure for a service-level agreement (SLA).

Planning the SLA

Service levels often are not met because of the lack of communication to end users on what they are and the failure to set user expectations. Therefore, good communication is necessary for reaching consensus concerning which items to include in the service levels, setting end-user expectations and developing the procedures governing how these items are reported. Enterprises need to include all of this information in a formal SLA that can be used as a contract between the IS organization and the business units (see "A Guide to Successful SLA Development and Management," R-11-3353).

To be effective, SLAs must contain penalties associated with the failure to meet or exceed the service-level metrics. Otherwise, the service provider merely has a service-level objective. Based on this premise, when an internal IS organization adopts service levels, it should be willing to accept that its performance against these metrics will be reflected in internal performance reviews and will affect pay raises and bonuses.

Different levels of services can be delivered at different costs. These costs may be reflected in the amounts charged back to the individual business units based on their specific service-level requirements. Developing an SLA that correlates to the costs

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associated with services evolves the IS organization toward a service provider model. This enhances the enterprise's ability to better compare "apples to apples" in services that are internally sourced to those offered by external services providers.

Developing the Content of the SLA

To provide clarification, we suggest the sections and descriptions that should be included in an SLA (see Figure 1).

Figure 1
Basic SLA Content Definitions

Section	Description
Executive Summary	This is a summary section describing the general purpose of the document to meet or exceed the service-level measurements that are mutually agreed on. This should include the purpose of the document and the duration of the agreement. It should define the stakeholders or ownership for the service levels agreed on within the enterprise and the scope of the areas that are included.
Description of the Services	Within this section is a detailed description of each of the services and the committed performance levels associated with them.
Service-Level Definitions	For each functional area, a minimum number of key SLAs should be included. A sample of the description of the data points that should be prepared for each SLA are: · Definition — The key business service (function/process/procedure) that is being measured, reported and continuously improved. · Measurement time frame — The days, dates and times when the defined SLA is to be measured, usually indicating the inclusion or exclusion of recognized national holidays. · Assumptions/responsibilities — Statement of specific requirements that must be met by the IS organization and business units to remain in compliance with the SLA. · Service-level metric — Relevant measurement of required work performed by the IS organization. Although these service levels are commonly measured in percentage terms, IS organizations need to design pertinent measurements that can be expressed in terms of business performance. · Measurement formula — Description of mathematical formula and example. · Reporting measurement interval period — Reporting period for measurement that determines exceeding, meeting or not meeting target SLAs. · Data sources — Location(s) from where data is collected, including a description of what is collected, where it is collected, how it is stored and who is responsible for it. · Escalation activity — Describes who is notified and under what conditions as out-of-compliance situations occur, including day-to-day and measurement period out-of-compliance situations. · Escalation management — Identifies to whom the out-of-compliance activities are forwarded on recognition. · Contractual/exceptions/penalties/rewards — Describes, and refers to, any contractual exceptions, penalties and rewards that are included in the contract. · Reward/penalty formula — Description of mathematical formula and example. · If the enterprise employs severity or priority codes, generally they would be described within this section
Service-Level Management	Numerous processes need to be documented regarding the management of service levels, including: measurement tracking and reporting, business continuity, problem escalation guidelines, service/change requests, new services implementation, approval process and the service-level review process.
Roles and Responsibilities	This section outlines the roles and responsibilities of all the parties to ensure that the service objectives are met. This includes the IS organization, the various business units and any external services providers that may be used. It should also identify governance committees or key stakeholders managing this contract.
Appendixes	Appendixes are used to include additional information that might be relevant to the agreement, such as the hardware and software supported.

Source: Gartner Research

Documenting the Table of Contents for the SLA

To further assist enterprises in developing SLAs, we have included a sample table of contents for some IT functional services (see Figure 2).

Figure 2
Basic SLA Table of Contents

Executive Summary
- Purpose
- Duration
- Scope

Description of Services
- Data center services
- Desktop/LAN services
- Help desk services
- WAN services
- Telephony/voice services
- Application support
- E-mail or mission-critical (e.g., enterprise resource planning) services

Service-Level Definitions
- Specific service-level measurements for each service provided
- Severity and priority codes

Service-Level Management
- Measurement tracking and reporting
- Business continuity
- Problem escalation guidelines
- Service/change requests
- Implementing new services and service levels
- Approval process
- Service-level review process

Roles and Responsibilities
- IS organization
- Business units
- External services providers

Appendixes
- Hardware supported
- Software supported
- Chargeback procedures

Source: Gartner Research

Enterprises should recognize that there are many variations to the content that should be included in an SLA. This outline is a guideline and should not be considered the only acceptable format. For example, the IT Infrastructure Library Service Delivery book, which is primarily used in Europe, provides an

alternative format. Whatever the format, it is important that the SLA meets the needs of the enterprise.

Bottom Line: When an IS organization documents its agreed-on service levels, it demonstrates a commitment to meet the needs of the business units. By following the enclosed sample, successful service levels can be implemented and accepted by all the business units throughout the enterprise.