



## Service Level Management *without SLAs*



*A practical, results-oriented approach to IT Service Management that can be applied to any service management improvement effort.*

*A White Paper by*  
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# Service Level Management *without SLAs*

## Executive Summary

Service Level Agreements (SLAs) are often heralded as the holy grail of “mature” IT service management. However, how hard must we push for SLAs in situations where the customer is unwilling or unable to partner with IT to define and manage service level performance? What if we can't even define who the customer is? How necessary are signed, sealed and delivered SLAs in attaining IT/business alignment and integration?

This white paper presents an approach that allows organizations to have their service level management cake and eat it too through defining and continually improving services via *capabilities-based service targets*.

This approach addresses the following common challenges:

- Lack of time and resources to build and publish SLAs for every IT service
- Inability to identify specific customers or “owners” of IT services
- Lack of customer interest in SLA negotiations or ownership
- Lack of IT leadership support of service commitments until IT “has its house in order”
- A pressing, short-term need to set achievable service level expectations with the business, in the absence of formalized SLAs

## IT Service Management – What have we Learned?

There is danger in blindly following any framework, methodology, or standard. Failed projects or initiatives are often the result of poor or absent project management fundamentals. Unfortunately this is often the case with failed service management related efforts. Problem Statements are often absent or do not adequately define what is being solved for. In many cases we fall victim to the “shoemaker’s children” syndrome – we don’t run our internal IT initiatives in the same way we run our business partner projects.

As with any improvement effort, service management efforts must be supported by an effective problem statement, vision, and supporting objectives. These should be justified by real and measurable challenges, problems, or opportunities for improvement that the efforts will address.

Service management initiatives that are based on objectives such as “mature Change Management to Capability Maturity Model (CMM) Level 3” or “implement Service Portfolio Management as a means to consolidate services” will often result in a lot of work for little measurable return. This happens because we often assume that a “best practice” approach will inherently equate to an improvement or we attempt to stay the prescribed remediation course without questioning whether every step is necessary or appropriate for our unique organizational situation.

For example, we may not have all the IT Infrastructure Library (ITIL<sup>®</sup>) prescribed process cornerstones of Change Management in place, but we may still have a low volume of production Incidents resulting from Change and our business customers may be satisfied with our ability to effectively absorb change. A broad service management assessment might uncover the fact that we don't do published service availability reporting or even publish a forward schedule of change. We could certainly expend the effort to establish textbook Change Management, but if it ain't broke...

In the case of SLAs, I have seen many variations of goals and objectives that include statements like "implement SLAs to achieve business alignment". SLAs may indeed be a component of achieving business alignment, but before we start populating our SLA templates and chasing our business partners, we may want to take a step back and consider what specific problems we are attempting to solve and which service management practices we might apply to achieve the best results in the required timeframe.

Effective problem solving using service management fundamentals is based on a keen understanding of the problem, which tools from ITIL<sup>®</sup> and other sources to employ, dependencies, and order. Diving head-first into "everything ITIL<sup>®</sup>" for Change Management, SLAs, or any other discipline to address undefined or poorly defined challenges will often result only in expended money and effort. Further, ITIL<sup>®</sup> projects that don't produce results will often poison future service management related improvement efforts.

There are many situations where SLAs are required to meet a specific governance or compliance objective. For example, the international standard for IT Service Management (ISO20000) not only requires SLAs, but identifies specific SLA content criteria as well (e.g. description of service, service targets, validity period, etc.). However, this shouldn't be seen as an opportunity to bypass defining problem statements, objectives, etc. If SLAs are to be employed as a component of an ISO20000, SOX/COBIT, etc. initiative, look for opportunities to do more than simply check boxes towards certification or compliance. Otherwise, we're completely missing the mark on what best practices, frameworks, and standards are all about – improving and optimizing capability and delivering on commitments. Checking boxes for the sake of an audit will often have no correlation to quality and capability. Checking boxes *and* measurably solving defined business problems will!

## **Common SLA Challenges**

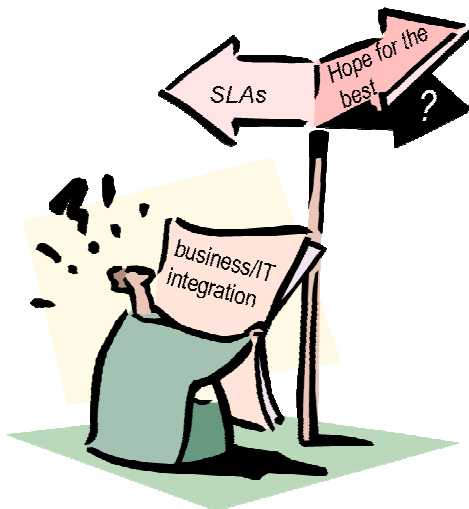
Academically, documenting and establishing SLAs makes perfect sense. Why wouldn't you want to document the agreed to levels of service? In practice, many organizations face the following challenges:

- Are we attempting to apply SLAs to achieve "business alignment"? If so, we need to identify specific areas that do not meet the stated needs of our business partners today. For example, is an SLA going to fix a situation where our

business partner has a stated need of 99.999% uptime for email but we don't have funding for email infrastructure failover? Aspects of many processes to include Service Level, Service Desk, Service Monitoring, Availability, Capacity, Financial Management, and Service Continuity could be leveraged to address this problem, but an SLA would be one of the last things on my list of to-dos. In any case, I'm probably going to want to remediate prior to making any commitments.

- Have we defined our services in such a way that our business partners comprehend them and IT has a good understanding of the various components that underpin them? If not, shouldn't we start there? Otherwise, using the above example, we might commit to a specific uptime for email, only to find out a vendor agreement for support of a critical component doesn't support it or that our business partner is using the service in a manner that it isn't designed to support.
- Can we identify distinct constituencies of service consumers and if so, are there identifiable and empowered leaders who could and would engage in service level needs assessments, agreements, and continual improvement efforts?
- Do we have a means to effectively measure our actual performance against a given objective? For example, can we monitor a service, such as email, end-to-end (e.g. network, application layer, storage, server, etc.)?
- Are the business service requirements wants or needs? Who will analyze and approve business cases and investments?
- Is our IT leadership team ready to commit to commitments? Many stalled service management and service level management initiatives are the result of IT leaders wanting to "get our house in order" prior to engaging the business and making commitments.

The common challenges identified above can and should be overcome before SLAs are employed. However, must we wait for all issues to be addressed before we define and publish our service level capabilities?



Unfortunately this is the decision made by many IT organizations, resulting in their business partners flying blind. This also results in IT owning more than its fair share of business risk, and the business not having a factual basis upon which to request a different level of service (potentially even a lower level of service resulting in lower costs). Using a non-IT analogy, this practice is roughly equivalent to a city maintenance organization being aware of a sinkhole in the road, not having the immediate funds to fix it, not making citizens aware of it, and hoping that

no one drives into it. Obviously most cities would put signs up and create detours until a permanent fix could be funded. Why doesn't IT do the same?

## What does ITIL<sup>®</sup> tell us about SLAs?

ITIL<sup>®</sup>: *The goal of the Service Level Management process is to ensure that an agreed level of IT service is provided for all current IT services and that future services are delivered to agreed achievable targets.*<sup>1</sup>

Good goal, although (a) I would like to see “agreed level of IT service” followed by “supported by a business case” and (b) “Agreed” infers provider and consumer agreement; it is often difficult to identify and engage an empowered “voice of the customer”. Unfortunately, SLAs are often hastily agreed upon by both parties because one or both parties is uninformed, or to bring a painful process to completion. If we can provide both parties with effective decision-making tools such as business cases, we can help ensure the SLA results in more than just an agreement. Agreement is good, but agreement that results in optimized business practices is better.

ITIL<sup>®</sup>: *...Define, document, agree, monitor, measure, report and review the level of IT services provided...*<sup>2</sup>

As with the goal statement, “agree” is not always attainable or worse, is forced.

ITIL<sup>®</sup>: *SLM needs to manage the expectation and perception of the business, customers and users and ensure that the quality of existing service delivered by the service provider is matched to those expectations and needs.*<sup>3</sup>

The only thing I would like to see added to this statement would be to place the word “defined” before the words “expectations” and “needs”. It is not always possible to get your customers to define their expectations and needs, especially supported by business cases. Effective IT Service Management is helping IT organizations do more than just align with their business partners – it is driving *integration*. An example of integration: A business partner states a need with a supporting business case and IT responds by performing a technology analysis to provide options for accommodating the need. This response also includes data in the form of options that can be used by the requester to restate the business case. This level of partnership is a contrast to our legacy (and still all-to-common) IT/business culture that would often result in this same scenario being played out as the business stating a want/need (without a business case) and IT stating that funding or resources doesn’t exist to accommodate it.

ITIL<sup>®</sup>: *...in order to do this effectively, SLM should establish and maintain SLAs for all current live services...*<sup>4</sup>

Caution! In many organizations, establishing and maintaining SLAs for every single live service would be an extremely high effort, high cost and low return exercise. At the same time, organizations should not continue to operate in a mode where IT service performance capabilities go unknown and unmanaged. There is a different path that should be considered.

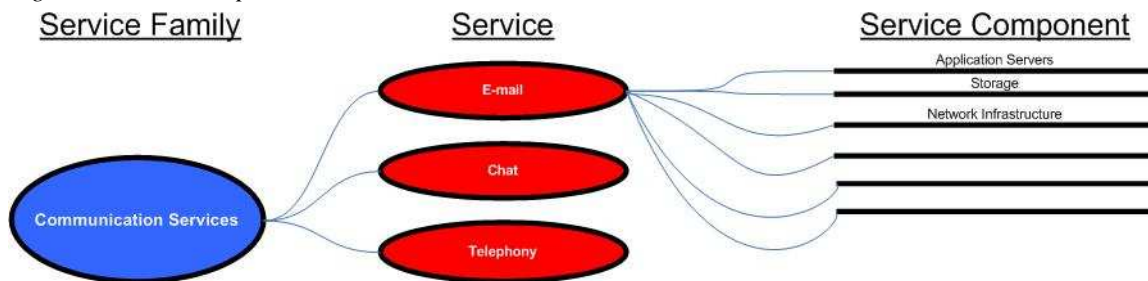
## Capabilities Based Service Targets

The approach works like this: 1) Define your current service performance capabilities; 2) Publish these capabilities as targets; 3) Measure and report on actual service performance against target; 4) Provide a means for any customer to request a change in service performance. These steps are explained in greater detail below.

**Step 1: Define your current service level *capabilities*.** A prerequisite for this step is to have a) a defined list of services and b) a thorough understanding of the key components that underpin each service. Many organizations that are attempting a “by the book” service management effort will translate the above into: “We need a service catalog and a configuration management system/database prior to beginning this effort”. Two years later, the IT organization has lots of tools but still hasn’t published its capabilities to its business partners...

While outputs from this effort can certainly serve as foundational elements for eventual service catalog and configuration management capabilities, they are not prerequisites. Microsoft’s *Infrastructure Optimization (IO)* approach employs a method called “service mapping” that can be quite useful for accomplishing this mission fairly quickly. The method is focused on hierarchically defining your services down to the component level. An example of a service map built using this approach is depicted in Figure 1 below.

Figure 1: Service Map



One could add more layers to this model to ensure that the service components are effectively accounted for. I have found this approach works best in a focused workshop setting and on a service-by-service basis.

Once the services and key underpinning components are identified, one can begin to define key service performance categories. An example list of key service performance categories is as follows:

- Availability
- Capacity/Performance
- Backup and Recovery
- Failover
- Disaster Recovery
- Security Posture

- Change/Release Volume and Frequency
- Incident Management/Support

The selected list of service performance categories will vary by organization but should not begin too broadly or extensively – select the most critical ones to begin with as the list can always be expanded later.

Some categories will be much easier to define than others. For example, it should be a fairly simple matter for most organizations to determine and document what email content is backed up, how often it is backed up, and expected turnaround time on a restore. Often, availability cannot be defined empirically and may therefore be expressed as a target based on the assessments performed by the subject matter experts responsible for each component group. For example, the Network Services team may need to consider historical network infrastructure availability and base their target on this. An analysis should consider, at minimum, the as-architected, as-engineered, and as operated/supported capability state of each component group.

While one could choose to publish the performance targets for each category, if one is moving towards a “service-based” culture, it may be more appropriate to select the lowest performing component group target for each category and define that as the overall service target. For example, rather than stating that the network target is 99.98% and the application server target is 99.99% for email, managing by service would dictate that the overall *service* target for email is the lowest performing component which in this case is 99.98%.

**Step 2: Publish these capabilities as *targets* (not commitments).** Many organizations will struggle with this step, especially if step 1 identifies some limitations that may result in unpleasant surprises to the business. However, consider this: Would you rather a business partner realize that there is no disaster recovery capability for a particular service before a disaster occurs or after? If their awareness occurs after the fact, which party carries the largest risk burden?

How these messages will be delivered certainly needs to be considered and managed individually by each organization. In the end, there is seldom a justifiable reason to keep information from the business as sharing the information means enabling some level of risk mitigation – e.g. if a business unit is aware of the risk, they can take steps to reduce or even remove the risk. The key to these discussions is to set expectations around the fact that this activity is a first step towards aligning (and integrating!) IT services with the needs of the organization and that in some cases, there will not be a short-term means to close identified gaps (rather, risk mitigation steps may be required). By identifying any misalignments in expectations, this activity will also help recognize those services that are truly business critical.

The medium by which IT services and IT service performance targets are published will vary significantly based on whether or not a service catalog is present and the degree to which service consumers actually utilize the service catalog. If the catalog is static and

does not require, for example, that consumers navigate it to request services from IT, its value as an effective communication medium is limited. Options for effectively communicating services and service performance targets are as follows:

- Include in actionable, heavily utilized service catalog.
- Communicate via existing channels such as business councils, steering committees, and/or change advisory boards.
- Publish on internal, heavily frequented websites.
- Target communications via email or meetings to known service consumers (via, for example, assigned business analysts). For example, Enterprise Resource Planning (ERP) service performance capabilities could be targeted to Finance and other heavy user groups. Emails should not provide only static content but instead should, for example, link to a website as targets will change and ongoing service performance will need to be published.
- Engage the corporate communications organization for assistance, if one is present.

**Step 3: Measure and report on actual service performance against target.** Early in the process, this step will provide a means of validating the targets identified in Step 1. Remember, we haven't entered into agreements with our service consumers yet (and possibly never will), so set the expectation that service targets will likely change and take this opportunity to realign targets with actual performance. Be sure to have a change management mechanism in place so that such changes can be effectively communicated to service consumers.

The frequency of reports will vary by organization but should occur at least quarterly, and in most cases, no more than monthly. The means by which reports are delivered will also vary based on the same factors as described in Step 2.

Note: the more planned and deliberate the communication aspects of Step 2 and Step 3 are executed, the better. Many organizations will find that a communication plan that accommodates targeted messages and delivery mediums will be the most effective approach. One can have a multi-faceted plan that is monitored and improved over time.

**Step 4: Provide a means for any customer to request a change in service performance.** This mechanism can be as simple as a direct email link to the appropriate IT owner, leadership council, or steering committee or can be as complex as providing a form that includes business case criteria that must be approved by a layer of management prior to submittal. In any case, this approach allows every voice to be heard and for every constituent to have a means to make a compelling case for change.

A key success factor for this step is to find a means to encourage service consumers to identify areas of waste in the form of *over-performance*. For example, offer a \$1,000 bonus from a random monthly drawing for each unique idea that identifies an opportunity to reduce service performance while still meeting business needs, and a \$10,000 bonus for each unique idea that is implemented.

## Summary

ITIL<sup>®</sup> has proven to be an outstanding resource for those organizations that leverage it as it is intended – a best practice framework that should be applied practically using good project management fundamentals. Service Level Agreements are beneficial and often necessary components for organizations where a formal commitment is required. Healthcare, financial services, military, and many other regulated industries will always rely on well structured, monitored, and enforced IT contracts to ensure that end-customer commitments can be met. However, they are not an absolute and should not be blindly applied for every service in every organization.

In many situations, employing capabilities-based service targets can re-start stalled service management initiatives, serve as an alternative path to business/IT alignment and integration, and provide an evolutionary path to SLAs for those organizations that require them. If you are an IT organization that does not understand your service performance capabilities and/or your business partners do not understand your true capabilities, you don't have to wait for a fully completed service catalog, configuration management system, and SLAs to accomplish this. The 4-step approach may not be a complete business alignment and integration solution for all organizations, but at a minimum, it will serve as a results-oriented step in the right direction.

## Where do you go from here?

Version 3 of the IT Infrastructure Library is currently the most comprehensive textbook source of information regarding the many moving parts associated with accomplishing business alignment and integration. The *Service Design* book devotes entire sections to Service Catalog Management and Service Level Management. ISO20000 provides specific guidance (requirements) for SLA content. One should find that the 4-step capabilities-based service targets approach would not be counter to either. Rather, this approach provides a tactical, practical and results-oriented means of achieving SLAs for those organizations that find them necessary.



Covestic distinguishes itself from other organizations that provide ITIL<sup>®</sup> and service management related services via our pragmatic, results-oriented approach that draws from more than just the ITIL<sup>®</sup> texts to design and deliver solutions. We leverage many years of hands-on IT business and operations experience to ensure the right solution path is tailored to the right problem.

Service Level Management fundamentals cannot be ignored in any organization, but the steps necessary to address defined business problems require an IT and business acumen that cannot be found in a textbook.

This is where Covestic can help. Our capabilities span the full lifecycle of service management, from custom workshop-based education services, to audit/assessment, to roadmap/planning, to partnership-based remediation. For more information, please visit [www.covestic.com](http://www.covestic.com) or feel free to contact me directly at [sjacocks@covestic.com](mailto:sjacocks@covestic.com).

## About the Author



Scott Jacocks is a practical, results-driven IT professional with over 16 years experience in IT Service Management, help desk, product support, IT operations, and customer care services and technologies. He has spent the past 11 years providing senior-level IT consulting services to dozens of mid-size and large firms throughout the United States. Scott is a graduate of the University of North Carolina at Chapel Hill with a BA in Economics. He holds his ITIL Manager's Certificate in IT Service Management and his Project Management Professional (PMP) certification from the Project Management Institute (PMI). Scott is an accomplished public speaker with experience delivering IT service management related lectures, workshops, and training to small and large audiences consisting of all levels of IT and business professionals.

## References

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