

BEST PRACTICES:  
**SERVICE LEVEL MANAGEMENT**

# **LIFE CYCLE OVERVIEW**

**COMPUWARE®**

# Service Level Management Life Cycle Overview

## Executive Summary

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“In today’s world, where ideas are increasingly displacing the physical in the production of economic value, competition for reputation becomes a significant driving force, propelling our economy forward. Manufactured goods often can be evaluated before the completion of a transaction. Service providers, on the other hand, usually can offer only their reputations.”

*Alan Greenspan, chairman of the Board of Governors of the Federal Reserve of the United States, (addressing Harvard University, Cambridge, Massachusetts, 1999)*

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*The quality of service increasingly drives revenue growth and profitability, particularly for service providers whose customers can choose among many alternatives. Companies must differentiate themselves from competitors based on quality. Accordingly, keeping close tabs on service-level performance is critical.*

*Service-based organizations find that their ability to deliver high-quality services is highly or even entirely dependent upon the quality of their IT operations. High-quality, business-oriented IT services are essential to overall corporate performance and shareholder value.*

*Forward-thinking organizations worldwide are turning to “best practices” for service management, which enables them to improve the quality of service, meet customer expectations, get more value out of their IT investments, reduce their IT costs and improve alignment with business needs.*

*In this environment it is essential to treat the “customer experience” of the business-aligned IT services as a competency and not just a function. Business-driven and customer-centric Service Level Management (SLM) is a vital enabler to give organizations the competitive edge through successfully managing and constantly meeting business and customer expectations.*

*This best-practice series of five short papers will cover:*

- *SLM life cycle overview*
- *Best practices for establishing SLAs*
- *Best practices for monitoring service levels*
- *Best practices for service level reporting and communication*
- *Best practices for improving service levels.*

*This specific white paper, SLM Life Cycle Overview, gives an introduction to a best-practice approach to SLM and provides an overview of the upcoming series of papers that will discuss the “best practices” at the varying stages of the SLM life cycle.*

## Service Level Management overview

Service Level Management (SLM) is defined as the process to demonstrate and ensure that mutually agreed upon objectives for achieving business outcome are being delivered consistently by the IT service provider (internal or external). This is achieved through an ongoing cycle of establishing agreements, monitoring compliance, reporting performance and improving upon the business-aligned IT services, in accordance with business priorities and at an acceptable cost.

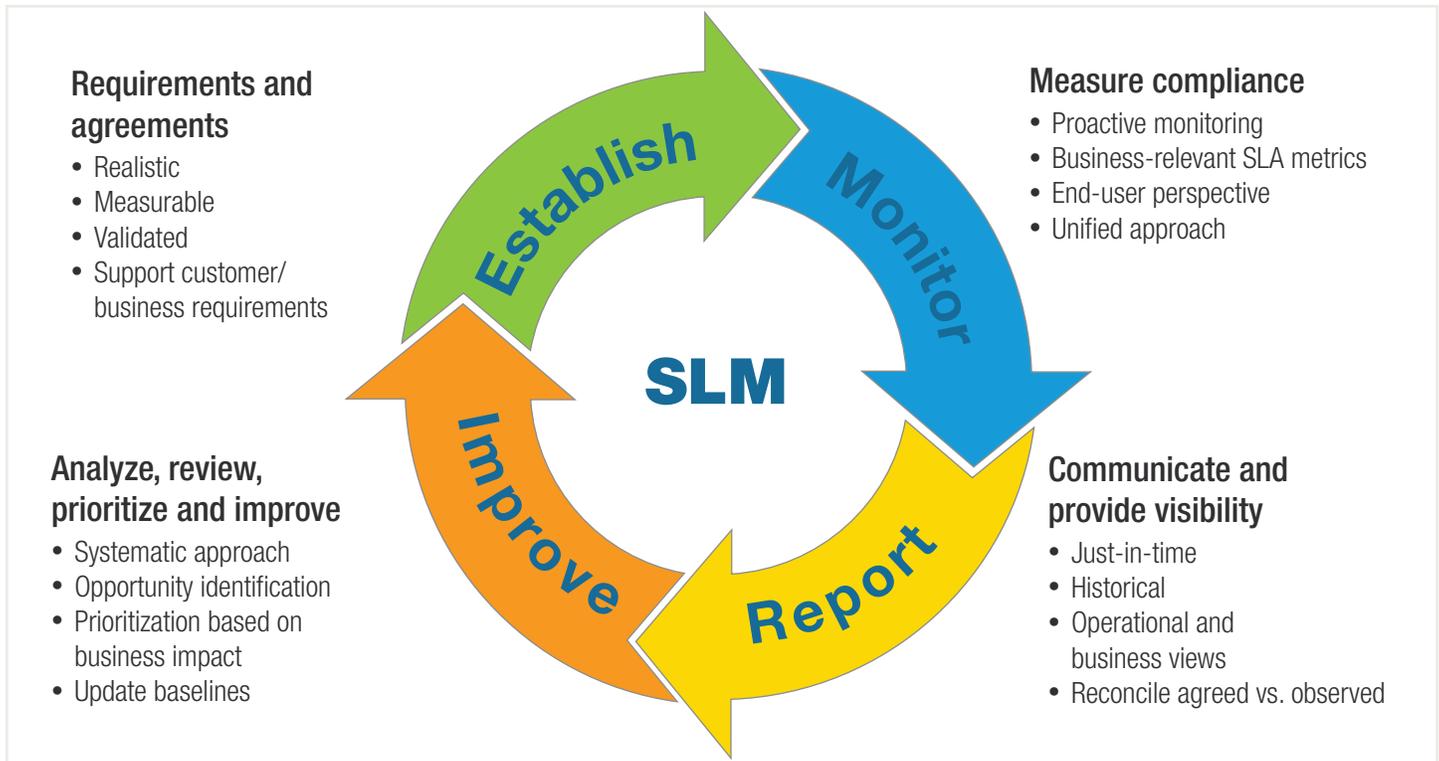


Figure 1 - The SLM life cycle

In other words, best-practice SLM is a process for consistently meeting customer requirements and delivering on IT's promise. This is critical for the reputation of IT, and for the business to achieve the desired outcomes and objectives.

The SLM life cycle involves the following activities:

- establishing realistic business-oriented SLAs
- monitoring compliance
- reporting and communicating service levels
- improving service levels.

These activities are illustrated in the diagram above.

### Establishing business-oriented SLAs

The SLM process begins by gaining a full and clear understanding of the services delivered to business customers that must be managed.

These services can be classified as either "customer-facing" ("business-oriented") or "technology-oriented." The "customer-

facing" services are those that the IT service provider delivers to its customers, visible to the customer and frequently with their explicit agreement to support business services and associated business processes. The "technology-oriented" services, on the other hand, are the supporting infrastructure which underpins the "customer-facing" services but is not seen by the customer.

Before establishing Service Level Agreements, IT needs to gather, define and document customer requirements for service levels—these are known as service level requirements (SLRs). Once agreed, they become the SLAs. These SLAs are a mutual agreement between the IT service provider and its customers for the delivery of a level of service, and are documented in the form of Service Level Objectives (SLOs). The SLOs define the level of service that is to be provided and are articulated in the context of business goals. They contain one or more Service Level Targets (SLTs). The SLTs are at the heart of the SLA and involve measuring and quantifying service quality. They must reflect the users' experience and priorities and be tied to business outcomes.

Operational Level Agreements (OLAs) define the quality of “technology-oriented” services, and thus the performance of the IT infrastructure supporting these services. These OLAs are mutual agreements between the IT service provider and other parts of the same organization that support the IT service provider’s delivery of IT service(s) to customers, to ensure the objectives defined within the SLA are met exactly and consistently. Similarly to the SLAs, these agreements define Operational Level Objectives (OLOs), comprised of one or more Operational Level Targets (OLTs), which enable technology quality to be measured and quantified.

These “technology-focused” services can also be the subject of Underpinning Contract(s) (UPCs), legal contracts between IT service providers and third-party providers who supply goods or services that support the delivery of IT service(s) to customers.

It is critical at this early stage in the SLM life cycle to ensure there is objective evidence the targets set within the SLAs are realistic and support the customer requirements. This also includes the validation and verification of all supporting OLAs and UPCs that are directly linked to the SLAs.

Testing, validating and baselining are a critical yet often neglected part of SLM. The aim is to establish a degree of confidence that the SLAs are realistic and help deliver the values and outcomes required, as well as understand the risks.

Testing, validating and baselining cannot provide a guarantee but can help in providing a measure of confidence. What degree of confidence is required will vary depending on the customer’s requirements and the pressures on an organization.

Involving the business in this stage of the life cycle is central to overall success of the SLM process.

The main goal at this stage is to define, document and agree on the level of service to be provided to the customer by the IT service provider and ensure appropriate measures of service quality are defined that reflect the user’s experience and are tied to business outcomes.

This includes providing a reasonable level of confidence that these SLAs can be achieved consistently and at an acceptable cost. This means more than just testing whether the IT service provider can meet the SLAs: you must verify these SLAs produce the desired

results from a business point of view and, if need be, re-adjust the SLTs or redefine the SLOs accordingly.

## Monitoring service-level compliance

It is only when the services are in production and operational that their value can be realized. To accomplish this, IT must consistently achieve the level of service quality agreed in the SLAs, derived from business requirements and linked to business outcomes.

The main goal of the SLAs is to quantify service quality via metrics that measure business outcomes and end-user experience. Proactive measurement of the level of service delivered to the customer provides the data to evaluate the effectiveness of the SLM process and ensure targets are being met consistently.

The key role of the SLM process at this stage is to ensure operational events are evaluated for the effect and impact on service quality from the end user’s perspective, and appropriate actions are taken in a timely manner to meet SLAs exactly. This also requires keeping close tabs on all OLAs and UPCs and constantly and proactively evaluating the effect that they have on users and the impact they have on the business and the SLAs.

In summary, the main goal of this stage is to meet the customer expectation by measuring and quantifying the service quality defined in the SLAs from the standpoint of the users and the business outcome and proactively taking action to ensure a high degree of consistency in service delivery. The information and knowledge gained at this stage plays a key role in influencing all other stages of the SLM life cycle.

## Reporting and communicating service levels

Ongoing communication to provide visibility into SLA compliance and IT efforts to add value is key to effective service level management.

Proactive SLM is realized by decisions “at the coal face” or the operational level. To accomplish this, SLM must have an effective communication channel with operations to deliver “just-in-time” information to ensure that the customer expectations set and agreed upon in the SLAs are being met.

In addition, the SLM process must have an effective communication channel with customers to report “just-in-time” information about risks to the business and the potential impact of the SLAs on business outcomes .

Another critical reason for this communication channel is to constantly demonstrate IT value to the customers.

The main goal of this step is to provide both “just-in-time” and historical reporting information to all the key stakeholders, including the business, the users, management and operations, to enable these stakeholders to make informed decisions either operationally, tactically or strategically.

### Continual improvement of service levels

Establishing, monitoring and reporting service-level information are useful only if the information can be used to make improvements, either incrementally over time or all at once. Continual improvement of service levels is key to achieving the desired goals of SLM in demonstrating IT value and continually meeting changing business requirements and customer expectations.

There are a number of proven approaches to continually improving the level of service, including the “plan-do-act-check” (PDAC) cycle, ITIL and Six Sigma, or a combination of them. These provide a systematic and proven approach to identifying and prioritizing areas for improvement, either in reaction to problems or—better—proactively.

In summary, the main roles that SLM plays at this stage are to:

- analyze historical data
- identify areas of improvement, in line with business priorities, that provide maximum return on investment
- proactively instigate improvements at acceptable costs
- review the effectiveness of the SLAs and the whole SLM process in general in meeting the desired business outcomes.

### Summary

Reputation as a service provider, as Dr. Greenspan noted, is increasingly becoming a competitive advantage or disadvantage to organizations globally. Building and protecting this reputation are critical to a company’s survival, revenue generation and profitability. Business-driven and customer-centric Service Level Management should treat customer experience as a core competency. This is an integral part of building and protecting the reputation of service providers and demonstrating customer value.

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Compuware Corporation (NASDAQ: CPWR) maximizes the value IT brings to the business by helping CIOs more effectively manage the business of IT. Compuware solutions accelerate the development, improve the quality and enhance the performance of critical business systems while enabling CIOs to align and govern the entire IT portfolio, increasing efficiency, cost control and employee productivity throughout the IT organization. Founded in 1973, Compuware serves the world’s leading IT organizations, including 95 percent of the Fortune 100 companies. Learn more about Compuware at [www.compuware.com](http://www.compuware.com).

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