

IT Service-Level Agreements: Pay Attention to 5 Essential Elements



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To get the most out of your managed or cloud service, invest the time it takes to negotiate a good service-level agreement. The right SLA with the right service provider can mitigate cloud risks and help your business flourish.

It's a 21st-century truth that even small businesses need complex information technology infrastructures to thrive. Which is why so many enterprises, both large and small, depend on the expertise of independent providers of managed and cloud services.

The benefits of these kinds of services abound: Low or nonexistent initial startup costs, speedy deployment, flexible scalability, and, if you've got the right provider, access to IT expertise that's otherwise unaffordable.

But using managed and cloud services can be risky, too. How reliable is the service? Where's your data? And what about security?

Beginning with due diligence

So how do you mitigate the risks inherent in depending on managed and cloud services?

First of all, spend some time thinking through which IT capabilities your business should acquire via a managed or cloud service. Ask prospective service providers for advice as you make your decisions — always noting which ones respond with adaptable solutions that can genuinely fit your performance and cost requirements and which ones try to contort your requirements to suit the rigid boundaries of their offerings.

Second, you need to devote due diligence to service provider selection. Make sure the provider organization actually delivers what they claim, runs the facilities and technologies they say they do, and is properly SAS 70 Type II certified. Visit one of the provider's data centers. Talk to more than one of the provider's current customers.

Negotiating a solid service-level agreement

Once you've chosen the provider that's right for your business, it's time to negotiate a solid service-level agreement (SLA).

The SLA is a key part of the contract between you and your provider, since it describes the levels of service being provided and the metrics

What's an SLA?

A high-level, summary document that

- > *Uses non-technical language to define both services and the performance and availability levels at which those services will be provided*
- > *Relies on a shared (and well-communicated) understanding of your requirements as well as the service provider's infrastructure and capabilities*
- > *Is the product of a collaborative negotiating process involving you and your service provider*
- > *Is used to measure ongoing service performance as well as to identify areas that require improvement and the need for other resources*
- > *Results in a "living document" that's easily understood by you, your employees, and your service provider and is regularly revisited so it can be adapted to changing conditions*

used to ensure your provider delivers full value. As you negotiate your SLA, pay attention to five essential elements:

1 Specification of each service to be provided

Your SLA should codify all service parameters and establish minimum performance levels required for each service. This enables you to get a guarantee from your service provider about service performance levels, such as transaction throughput time, service availability/uptime, mean-time-to-respond to/resolve a trouble call, and mean-time-to-restore should problems with the service occur.

Make sure your SLA includes a functional description of each service, rather than just the provider's name for it. This protects you when updates to the provider's underlying infrastructure happen to alter the functionality of your service, which might cause a capability you depend on to be deleted.

2 Details about the system, network, and security infrastructure and standards to be maintained for your service by the provider

Your SLA should describe these in detail so you understand what service you're buying. For instance, if electrical power provisioning is part of your SLA, make sure it clarifies what your monthly costs will be, since some providers play games with power costs. Further, your SLA should include your rights to audit your provider's compliance and conduct onsite inspections at least once a year.

In addition, your SLA should require that the service provider inform you immediately of discovery of any unauthorized disclosure or loss of your data — or even the reasonable belief that unauthorized disclosure/loss has occurred. And your SLA should obligate your service provider to supply indemnification if they've caused your data to be accessed inappropriately or lost.

3 SLA changes

Your SLA should include a mechanism by which you can regularly tune it in response to changing business conditions or new technologies. You'll benefit from building in a formal review of your SLA (at least annually) in order to use experience and new information to revise it.

4 SLA monitoring and enforcement

You and your service provider need to work out what aspects of each service to measure, how to measure it (e.g., the service

process itself, achievement of certain objectives, etc.), and how to monitor those metrics. You'll want your provider to give you regular reports and access to service quality metrics so you can monitor service performance, availability, and security.

Your SLA should include an escalation process that enables quick resolution of issues and contains provisions under which your provider can be penalized for not meeting agreed-to service levels (and perhaps be rewarded when optimal levels are sustained). And make sure you can terminate services for failure to perform.

5 Procedures for the safe and prompt return of your data upon service termination

Your SLA should affirm your ownership of the data you'll store on the service provider's systems, specify the timeframes and the means by which your provider will ensure its return, and/or obligate your provider to destroy their copies of your data upon service termination.

A successful SLA: It's about trust

A service-level agreement works best when it's the result of a collaborative effort between you and a service provider you can trust. This kind of trusted collaboration will uncover the most cost-effective ways your provider's IT capabilities can be put to work for your business.

The ongoing success of your SLA depends on mutual understanding of who's responsible for what, regular communication (whether or not there are service problems), and continual awareness about how your SLA contributes to the value of your business.

The right service provider understands all this and will always help you craft a living-document SLA that's fair and cost-effective.

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