

# SLAs



## Trying to **Get Out** of a Vendor Contract



### What's an SLA?

A service level agreement (SLA) focuses on the performance and service quality agreed to by your organization and the vendor and may be used as a measurement tool as part of the contract or as a stand-alone document. The main purpose of the SLA is to spell out the level of service that will be provided.

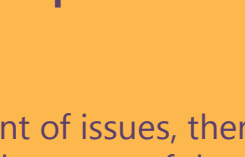
The SLA defines the performance targets expected by your organization from a vendor, it establishes how the service is to be measured and the remedies or penalties (to include termination for repeated failure), if any, for non-compliance with the agreed service levels. This is an important component of both your ongoing monitoring requirements and your contract standards.



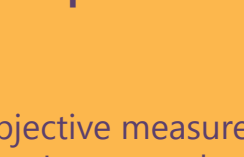
### The SLA should clearly state:



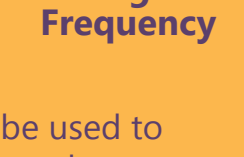
**Metrics**



**Responsibilities**



**Expectations**



**Timing and Frequency**

This is so that, in the event of issues, there is an objective measure that can be used to gauge compliance with the terms of the agreement. It ensures both sides have the same understanding of requirements.



### SLAs provide your organization an opportunity to:

- ✓ **Outline expectations** to the vendor during service level development
- ✓ **Clearly set remedy and penalty targets** for non-compliance with service levels
- ✓ **Create a culture of high-quality service** and accountability both internally and at the vendor
- ✓ **Formalize** duties and rights of each party
- ✓ **Set benchmarks** that each party expects the other to achieve
- ✓ **Encourage** vendor delivery and consistency of service
- ✓ Allow your organization to **compare similar services** across multiple vendors within your environment
- ✓ **Bring uniformity and consistency** to vendor performance reporting



### Negotiating Service Levels

Most SLAs will start out with standard service levels provided by and favoring the vendor. **These should be viewed as a good starting point for negotiation and should not be taken as non-negotiable**, no matter what the vendor initially states. Keep in mind that requests for service levels that are outside the vendor's normal service level metrics may result in additional costs or fees. This is typically the case with vendors that provide a standardized service to multiple customers (e.g., cloud-based service providers).

The service level agreement should not be viewed as a static document, but must be actively monitored, managed and include a defined framework for change management and monitoring during the term of the vendor relationship.

### The 9 SLA Elements should include:

- 1 Definitions of key terms
- 2 Reporting process
- 3 Remedies/penalties
- 4 Termination provisions for repeated SLA failures
- 5 Report contents and frequency
- 6 Dispute resolution
- 7 Escalation procedures
- 8 Change management
- 9 Both the organization and vendor's key contacts/responsible parties

### Best Practices to Manage SLA Compliance

- ✓ **Your organization should have a program in place** within either the vendor management program or the business unit to manage SLA compliance.
- ✓ The compliance with agreed SLAs **should be managed and monitored** with the frequency that was established within the agreement.
- ✓ When developing the SLA, remember it's important that the **service level is reasonable, measurable (either by your organization or the vendor), and can be monitored and reported on.**
- ✓ **The vendor should also be able to provide reports on their compliance with the SLAs.** These should be reviewed and agreed to be delivered on a predetermined frequency.
- ✓ **Perform ongoing monitoring as this is the biggest misstep we repeatedly see.** You can have the best written SLA in the world, but if no one's following up you could easily be missing a major problem that won't be found until it's too late.



### Managing SLAs Common Scenarios

**A** If you have quarterly business review meetings with your top vendors, **an SLA compliance review for the previous quarters should be a standing agenda item.**

Any SLA failures should be addressed and any potential new SLAs or changes to the existing services should be discussed as well.



**B** When vendor issues initially are found and reported, whether from customers, employees or through an SLA failure, the **communication internally and externally should be proportionate to the problem at hand and follow your organization's issue/problem resolution framework.**

A file that arrives 15 minutes late and does not impact processing should be handled and escalated differently than a hosting failure that impacts customers.



### Repeat SLA Failures? Steps to Terminate the Contract

**1** **SLA failures** sometimes get to the point where penalties alone are not enough. If remediation of the failures has not corrected the underlying issues and business is impacted, then appropriate management within your organization may need to trigger clauses within the agreement that allow for the termination of the agreement.

**2** **Termination will be predicated on what was initially agreed to when the agreement was developed.**

If service levels, penalties or termination clauses were not negotiated properly, your organization could have little to no recourse other than requiring the vendor to correct the issues.

**3** If the agreement allows for the termination for cause once all other remedies are exhausted or due to repeated SLA failures, **the next step, as with the agreement creation, is to bring together the various parties within your organization that will provide input into the impact and process of termination**, these parties may include:

- ✓ Legal
- ✓ Lines of business
- ✓ Compliance
- ✓ Information Technology Risk
- ✓ Information Security
- ✓ Senior Management and the Board

**4** **Once the impacts of the termination have been identified**, then your organization's legal counsel will move forward with formal notification to the vendor based on the provisions outlined within the agreement.



While some terminations will be straight forward due to the nature of the service, for example replacing telecommunications providers, internet service providers or computer hardware vendors, **a best practice is to have an exit strategy in place that outlines the potential impacts to your organization.**

Remember that a simple termination of one vendor that is utilized across multiple divisions in your organization may have a larger impact than previously realized.

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