

# SLAs in Telecom Expense Management: The Foundation for a Strategic Partnership

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When it comes to managing your Telecom Expense Management (TEM) provider, vendor performance is crucial for a strategic partnership. And Service Level Agreements (SLAs) are how you'll measure vendor performance.



# Why do I need an SLA?

SLAs deliver specificity for expected business outcomes.

By implementing SLAs, you can specify exactly what is (and is not) covered, document responsibilities and define service prerequisites that set you up for success. When done well, an SLA delivers peace of mind to customers and clarifies targets for providers.



# Where do I start?



- **Do leverage a framework** that includes detailed measurements, descriptions, target metrics, conditions, exclusions and penalties with failure escalators.
- **Do identify specifically what is and is not covered** to avoid confusion on both sides. Make sure availability and contact preferences are clearly defined.
- **Do monitor compliance** by measuring your progress against SLA goals. Rely on regular reporting to help keep everyone aware of how your TEM provider is meeting or exceeding SLA promises.
- **Do automate reporting** with real-time performance metrics presented in the platform, ensuring full transparency on the actual status of agreed-upon metrics.



- **Don't treat SLAs as the only focus area** for management. Often intangibles that can't be fully measured, such as strategic brainstorming, are just as critical to mutual success.
- **Don't make it one-sided** because the SLA needs to work for the customer as well as the vendor. Make sure they are equally beneficial for both parties.
- **Don't let issues linger** by defining SLOs and other thresholds that can alert you to issues before they impact SLAs; communicate all performance expectations to keep everyone on the same page.



# What should an SLA include?



Simply put, SLAs should define what you set out to achieve with your TEM program.

Your organization should be conceptualizing precisely how to drive its TEM program's operational outcomes and successes. SLAs are a formal measurement of the processes needed to drive operational outcomes for the enterprise.

These measures should go beyond timeliness measurements and include quality metrics – especially around quoting, ordering, inventory management and invoice processing.



# How important is an “SLA framework”?

An “SLA framework” is at the very heart of your TEM program. It articulates your vision for TEM.

And it's built by asking probing questions like, “What goals am I trying to achieve with this TEM program?” and “What SLAs should I use to measure TEM?”

This process of questioning should eventually help your enterprise and any future strategic partner come together to fine-tune an approach that aims to achieve specific goals and operational outcomes. As such, SLA frameworks are not one-size-fits-all solutions but extremely valuable when tailored to fit a TEM strategic partnership.

*What goals am I trying to achieve with this TEM program?*

# Where do the concepts of *metrics* and *categories* fit in this overarching structure?

There are some foundational design principles at play.

SLAs should be comprised of outcome-driven metrics that aim to align any future vendor's deliverables with their contractual obligations. When setting up an SLA framework, build out categories each metric will measure. With TEM, vendor performance metrics should measure things such as:

- Availability, reliability and responsiveness of vendors
- Timeliness, quantity, and quality of deliverables
- The customer experience (CX)

Everything must tie together. In other words, metrics should measure the *What*, *Why*, *When*, *Where* and *How* of each deliverable. Both parties want to understand everything, with no grey areas.



Ultimately, you'll want to be able to run data analytics around all the information in the system to understand what goes into driving outcomes. And you'll want to know how to improve outcomes or how to change outcomes if your business changes.

This insight is central to success. If you capture enough data points, you'll have data analytics you can mine for trend analysis. As such, you can examine what adjustments might need to be made to achieve successful operational outcomes for your TEM program. Or, perhaps, you'll see where you expand on what's really working. That's what SLAs are all about – gathering data points that help drive operational outcomes.



# When do I negotiate my SLAs?

Ask potential strategic TEM vendors for their insights about SLAs early on.

It's not just about demos. SLA definition is a collaborative process from the start to better understand the commitments a vendor is willing to make to the success of the service as well as what's happening with your upstream and downstream data.

In fact, when you've narrowed your choice of TEM vendors, have a session devoted to SLAs with each of them. It's very important any potential partner understands the operational outcomes you seek to drive. You also want to ask how specific vendor processes might play into SLA measurements since every vendor has its own defined processes (think of invoice processing as an example).

SLAs in Telecom Expense Management



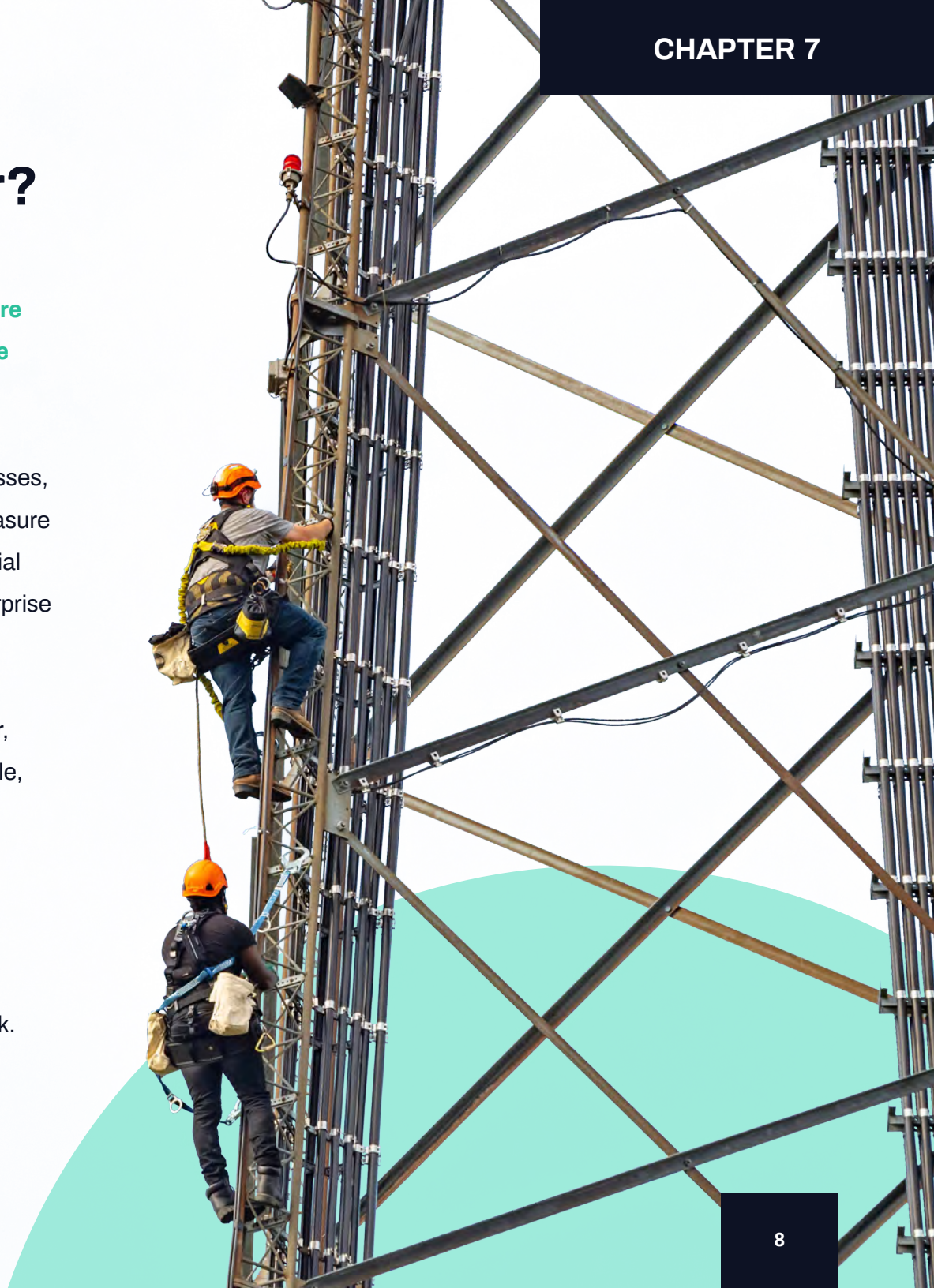


# What should be asked of a specific TEM vendor?

Enterprises should begin by outlining the SLAs they require from a potential vendor and then ask the vendor to provide their standard SLAs to align outcomes.

It's important to understand what data elements, control processes, and measurements any particular vendor can capture and measure against SLAs. You need to have those conversations. A potential vendor should also ask lots of questions about what your enterprise is trying to achieve with every SLA. It's an ongoing dialogue.

Remember that when you eventually select that special vendor, you may know the categories you want to measure (for example, invoice, procurement, mobility, etc.), and you may start putting specific metrics together before putting the methods of measurement together. At the contracting phase, all SLAs should be listed with their definitions, scope, measurements, financials, exclusions, etc. There should be no grey areas or "TBD" language in SLAs chosen for the final Statement of Work.





# What's the most common mistake organizations make during the SLA creation process?

Too many firms don't take into account the vendor incentives to constantly improve performance.

Every metric in the SLAs needs to be achievable. If SLAs are not reasonable for the vendor, your enterprise will fail to access data that demonstrates the nature of successful programs. Similarly, SLAs should not be overly complex. Instead, SLAs should incentivize the vendor to do the right thing and pursue the correct behaviors at all times to achieve success.

In fact, if a vendor consistently achieves its SLAs but misses one, that vendor should be given the opportunity for an “earnback.” Conversely, if a vendor regularly misses its SLAs, there should be repercussions.



Above all, encourage behavior to generate outcomes. Seek data points that help you understand things better. You can even think about Service Level Objectives (SLOs) as intermediate-level signposts.

# Is there one specific issue enterprises and their strategic partners should avoid?

You should avoid looking at one-dimensional metrics.

Consider invoice processing timelines, like processing an invoice in a certain number of days, for example. That kind of isolated metric doesn't tell the true story of vendor performance or how to drive desired outcomes. As we've emphasized, when you're building your SLA framework, you need to look at a number of metrics and have multiple measurements for each SLA category. It might sound obvious, but it's worth hammering that point home with your team.

One metaphorical example is pizza delivery. The SLA that Dominoes used when some of us were in college was “delivery time.” OK, fine. But if the pizza gets there on time and it's cold or the top of the box is crushing the pizza, then the customer will be unhappy. Technically, Dominoes met their delivery time SLA, but if the customer isn't happy, so what? What then?



Clearly, this is a case where additional metrics are needed to see if we're achieving the desired outcomes (think of value metrics, such as taste, temperature, appearance and quality of the pizza delivered).



# How important is the end-user experience?

**The end-user experience is everything.**

In our aforementioned pizza delivery example, ask yourself – how professional and engaging was the delivery guy? How was the interaction? The customer experience (CX) will come into play as a metric. And you'll need measurable data points to track that experience.

When it comes to TEM, measuring the CX provided by the vendor is essential. You should ask yourself:

- Is this a true partnership?
- Is the vendor collaborative?
- Is the vendor consultative?
- How does the vendor engage with me?

At the end of the day, continuous improvement drives program success.

“

*This is exactly what we need to see more of in the TEM industry. Detailed SLA frameworks are often non-existent or are not properly implemented, and yet SLAs serve a very valuable purpose when used correctly and with the right intent on both sides. They cannot be one-sided like we often see or be built just to penalize. Early alignment of intent along with true and continuous communication and collaboration around an SLA framework is the foundation for a successful long term relationship.*

—Tim Lybrook, CEO of AOTMP®

# Conclusion

Good SLAs put the customer's business outcomes first.

A well-crafted, service centered SLA framework makes that happen by defining what customers can expect and how.

Sakon helps enterprise clients in a wide range of industries manage Communications Services and the Modern Device Lifecycle more efficiently. The company's Telecom and Device solutions reduce operational costs, increase insights and optimize financial performance through a cloud-based platform that connects organizations with suppliers globally, automates workflows and optimizes services.

Founded in 2003 and headquartered in Concord, Massachusetts, Sakon has over 900 employees with offices in the United States, Canada, the United Kingdom, China, Singapore and India. For more information, go to [www.sakon.com](http://www.sakon.com).



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Reach out to Sakon to continue the conversation about SLAs in Telecom Expense Management. We will be happy to have further discussions and send our sample SLA framework for your consideration.

**Reach Out**

