SYNTEL, A U.S.-BASED IT SERVICE PROVIDER WITH AN EXTENSIVE GLOBAL DELIVERY SERVICE, SUGGESTS SPECIFIC BEST PRACTICES FOR REDUCING COSTS AND IMPROVING BUSINESS PERFORMANCE GLEANED FROM HUNDREDS OF APPLICATION MANAGEMENT ENGAGEMENTS AMONG GLOBAL 2000 COMPANIES.

The Keys to Successful Service Level Agreements Effectively Meeting Enterprise Demands
While many companies have realized cost reductions from IT outsourcing, sometimes this goal has been achieved at the expense of addressing long-term, strategic objectives. Since simply measuring costs is not a completely accurate measure of outsourcing arrangement success, what criterion is trustworthy?
“...Service Level Agreements bring true accountability to vendor-client relationships.”

1. EXECUTIVE SUMMARY

Service Level Agreements (SLAs) focus on measuring and managing productivity and service quality improvement for IT outsourcing and are the key to determining the true value of an outsourcing engagement. In short, SLAs validate expectations of the respective parties and set parameters for measuring project success. This important tool measures the status of an outsourcing project and empirically scores the performance of the vendor using measurable and enforceable results. An effective SLA can help to ensure that the outsourcing vendor is helping the customer meet or surpass business and technology service levels, which in turn leads to increased productivity and flexibility, and improved standardization and capacity.

As SLAs increasingly become an important part of the vendor selection process, organizations will want to ensure that they are working with an experienced vendor that knows how to construct an SLA that serves the customer’s best interests. In this paper, we explain best practices for structuring, implementing, and successfully managing SLAs, and illustrate the reasons why Syntel is the best choice to help organizations meet today’s enterprise demands.

2. SERVICE LEVEL AGREEMENTS: KEY TO OUTSOURCING ARRANGEMENT SUCCESS

Today’s businesses demand a granulated measure of outsourcing project success, one that balances business objectives against the parameters of risk, business impact, and business continuity. Service Level Agreements (SLAs) enable this by focusing on the highest quality or timeliness of project completion delivered at the lowest cost, using measurements of defined metrics tied to vendor performance. The SLA is critical to determining outsourcing arrangement success, but in order to serve this need, it must be clearly based upon enterprise business objectives. Today, in a traditional IT outsourcing arrangement, companies want to measure cost, capacity, expanded skills and capabilities, productivity improvement, and service quality improvement. SLAs focus on measuring and managing two of these—productivity and service quality improvement. Furthermore, as a business agreement, SLAs address the full range of business processes, operational and technology expertise, and service levels needed to ensure a solid IT infrastructure that supports a wide range of business-critical applications.

3. MEETING ENTERPRISE DEMANDS WITH SERVICE LEVEL AGREEMENTS

When a company calculates return on investment, it considers a variety of parameters, some of which are quality improvements and efficiency, and these in part can be measured through a Service Level Agreement. By measuring the status of an outsourcing project and empirically scoring the performance of the vendor using measurable and enforceable results, SLAs are important tools that help determine value and define success, while discouraging potential disagreements.

In fact, Service Level Agreements bring true accountability to vendor-client relationships. They validate the expectations of vendors and clients and set parameters for accurately measuring project success. In that way, SLAs form a building block for achieving customer satisfaction and functional efficiency while defining role clarity for the various parties involved.

Factors that contribute to outsourcing failures

- **Lack of clear goals.** Often, the overarching vision is not shared with the vendor. A shared vision along with an understanding of who is empowered to make things happen is key to success.

- **Focus on cost reduction.** When the pressure to reduce costs is the motivating principle, organizations often find that business objectives are not met through outsourcing arrangements.

- **Lack of details.** A lack of details (i.e., metrics) regarding the currently delivered baseline service levels makes it nearly impossible for organizations to measure a change or consistency in service levels going forward.

- **Inability to adopt cultural changes.** Cultural change is necessary for successful outsourcing arrangements. Without it, organizations find it difficult to assess how changed processes are impacting business objectives. For instance, many organizations evaluate their operational effectiveness by evaluating the person performing a task; with outsourcing, organizations must shift this assessment to consider what is being done, how it is being done, and how effectively it is being done.

- **Lack of clear definitions.** A lack of clear definitions around responsibility, management support, measurable commitments, escalation procedures, project management, scheduled oversight, and communication protocol spell certain disaster for outsourcing arrangements.
**SLA benefits**

SLAs make use of the knowledge of enterprise capacity demands, peak periods, and standard usage baselines to compose the enforceable and measurable outsourcing agreement between vendor and client. As such, an effective SLA will reflect goals for greater performance and capacity; productivity; flexibility and availability; and standardization. At the same time, the SLA should set the stage for meeting or surpassing business and technology service levels, while identifying any gaps currently being experienced in the achievement of service levels.

By applying a well-defined and orderly approach when setting up SLAs, outsourcing vendors are able to provide measurable and enforceable results to their clients. At the same time, this approach allows vendors to offer a standardized definition and execution of maintenance and production-related work across the enterprise. SLAs also provide requisite methodologies for root cause analysis of problems, leading to easier, faster fixes. This, in turn, can lead to improved overall quality, lower overall risk, and lower production and maintenance costs.

**SLA best practices, processes, and tools**

Before determining what can be measured, both parties must understand the customer’s goals. By focusing initially on the identification of goals, prospective partners are in a better position to clearly recognize which financial, performance, and strategic metrics are appropriate for measuring success. Having decided what is required and how it is measured for success, the next step is to develop agreements and contracts that capture these components and are structured to evolve to meet dynamic business requirements. Experienced outsourcing vendors will leverage past account work to optimize the process – for instance, by drawing upon prior outsourcing project experience, the vendor should be able to recommend the relevant metrics to be tracked and the appropriate reporting tools for the IT and business environment.

**Structuring an SLA**

Structuring an SLA is an important, multiple-step process involving both the client and the vendor. In order to successfully meet business objectives, SLA best practices dictate that the vendor and client collaborate to conduct a detailed assessment of the client’s existing applications suite, new IT initiatives, internal processes, and currently delivered baseline service levels. This will enable a clear vision for IT to effectively strategize, manage, control, develop, and utilize the given resources while enhancing the quality of services to enterprise users. An application portfolio assessment provides insight into the costs and efforts associated with maintaining applications, while highlighting applications that are core to different business units and are strategic in nature. By using the outputs of this approach, recommendations can be made that lead to a feasibility roadmap for the entire outsourcing project.

In conducting this assessment in a phased approach, the IT staff:

- Collects information related to various applications;
- Analyzes the data;
- Identifies potential issues;
- Conducts interviews with appropriate IT resources to clarify issues and gain a better understanding of applications and related projects;
- Identifies applications that are ready to, and can easily, be outsourced;
- Supplies a baseline report on findings;
- Builds SLAs; and
- Submits recommendations to IT management for approval.

Once IT and business objectives have been identified and agreed to, the IT staff or outsourcing vendor should collect baseline performance metrics for the applications that will be outsourced. By assessing existing service levels, both parties can agree to the appropriate measures of success.

SLAs capture the business objectives and define how success will be measured, and are ideally structured to evolve with the customer’s foreseeable needs. The right approach to SLAs results in agreements that are distinguished by clear, simple language, a tight focus on business objectives, and ones that consider the dynamic nature of business to ensure evolving needs will be met. To avoid perception problems, both parties must ensure agreement on specifications and the granularity of measurements—this includes defining not only what will be measured, but also how and with what tools it will be measured.

**Implementation**

Once the SLA has received buy-in from all involved parties (including legal, finance, and delivery teams), the format, structure, and frequency of reporting is determined. The vendor will then recommend tools and methods of automating data capture and reporting, to enable an ongoing process. There should be an established “score card” reporting format and a regular process to review it. The process should identify where SLAs are not met,
find the reasons, and report this and improvements back to a steering committee.

**SLA Management**

SLA agreements require constant discussion and renegotiation as the needs of the business change. Left unattended, SLAs might lead IT into a false sense of security about the level of service being delivered to enterprise-wide users. For instance, response times and network availability statistics may appear acceptable, but business users may be experiencing difficulties due to new (and undefined) service level requirements. To reach maximum effectiveness, SLAs require ongoing attention in measuring customer satisfaction so that IT will be aware of any dissatisfaction before a crisis occurs.

Using software tools to automate the measuring process saves time and reduces the chance of errors and conflict. In addition to simple and automated measurement techniques, SLA management processes must be in place to ensure clear communication throughout the entire project between the parties involved. Successfully addressing service level challenges can be accomplished by leveraging the following:

- Clearly defined responsibilities of vendor and client employees
- Named executives and management participants
- Defined and measurable commitments
- Escalation procedures
- Project management
- Program management (contract impacts)
- Regular and scheduled communication

Once the project is started, monthly status reviews and quarterly staff-planning meetings are recommended between the client and vendor to review the engagement status and determine proper staffing levels and mix for the subsequent quarters. Throughout this phase, the outsourcing vendor needs to perform the following:

- Execute the workload priorities established by the client
- Identify opportunities to improve the client’s business
- Collect and report service level metrics
- Set additional productivity and quality goals based on metrics reporting
- Report completed activities and planned activities to the business and user groups

### 4. SYNTEL’S APPROACH TO SUCCESSFUL SLAs

Since its founding in 1980, Syntel has been committed to mastering and leveraging the latest technologies to help companies achieve maximum utility and value. This experience is key in achieving high quality SLA-driven outsourcing engagements in global corporate environments. With nearly 25 years of IT experience, Syntel helps businesses formulate intelligent decisions about which portions of an IT environment can best be served via SLAs.

To develop recommendations, Syntel first learns about the customer’s business, culture, objectives, and vision. Next, a high-level survey of application portfolios is conducted, which includes an assessment of how the applications function within the business, the general state of the applications, number of users, and whether or not the applications are critical to business operations. With this information, decisions are made to generally rule out some application groups, e.g. an unstable application is not a good candidate to outsource.

Following this process, the targeted application portfolios are evaluated. During this evaluation, applications are carefully surveyed. Detailed information is collected about the application’s size, age, enhancement backlog, current support staff size, special requirements, and retirement plans. Finally, Syntel delivers a report, in person, with the findings and recommendations. Together with the customer, next steps are then defined.

Companies that do not have SLA-based outsourcing in place need to undergo a process to successfully arrive at SLA-based outsourcing. Syntel can assist companies in that process by helping customers first decide on business priorities and then helping them align these with IT priorities. Next it is critical to pick the right SLAs and determine what is going to be measured and how. Baseline service levels are then set—here, benchmarking is key. The appropriate SLAs are then defined to drive the project. It is not simply a matter of complying with industry standards for defined SLAs—performance levels should be set that meet or surpass the organization’s existing service levels.

The results of this process are then used to determine where and how quality improvements can be made, followed by setting higher levels of service level performance to track against—in an ongoing quarter-to-quarter improvement cycle. This same sequence of project events can also be implemented for the customer’s other outsourcing vendors at the
same time, leading to continuous improvement across global platforms.

**Improving existing IT outsourcing today: measuring performance**

Successful partnerships require dedication, trust, openness, a strong collaborative atmosphere, and a focus on transforming IT. Towards this end, Syntel has crafted quality and account management structures to manage strategic partnerships with its customers. Through these structures, Syntel can manage the whole project, including other vendors that may have direct or indirect participation on the same portfolios.

**Quality management**

Syntel assigns a project manager and provides all necessary resources needed to manage and report on the SLA. A quality group performs periodic audits of applications to ensure that overall quality goals are being achieved by individual projects. At the inception of a project, the customer's C-level executives are regularly briefed so they can be assured that the process is running smoothly.

The delivery management approach and project organization Syntel provides has been the key to success in managing multiple projects as well as executing complex integrated projects. Key tenets of Syntel's model that ensure success include the following:

- Clearly-defined internal and external communication routes
- Issue resolution and escalation procedures
- Change management processes
- Quality assurance
- Project management expertise

Syntel has used this delivery management framework repeatedly to successfully deliver on large engagements for global accounts, and leverages its extensive cross-industry experience from many previous SLA-driven engagements for the benefit of all its customers.

**Client partner management**

Syntel ensures accountability by appointing a senior Syntel executive, known as a client partner, as a single point of customer contact. Each client partner is responsible for overall management of the relationship and customer satisfaction, and works toward identifying opportunities with the customer—helping them lead change and get additional traction for improving or developing future SLA-driven outsourcing opportunities. Client partners work with Syntel staff to create a synergistic project scorecard for each customer's project delivered via in-person presentations. Through these extensive playback sessions, Syntel can ensure customer management is apprised of how on-site and offshore teams have achieved the desired levels of service, and that Syntel staff are competent, knowledgeable and able to support the applications on an on-going basis.

The scorecards are tailored for each customer and vary depending upon the parameters of the project. They include a relationship snapshot and reporting on milestones, challenges, staffing, technology, business and IT satisfaction, service request performance, enhancement performance, trends on service requests, application availability, effort, utilization, and other metrics as required.

As the META Group explains, balanced scorecard metrics such as those provided by Syntel fit into "second-generation" SLAs that "gauge IT operation efficiency and effectiveness. They replace exhaustive definition sets with 'reasonable person' understandings…[1]

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**5. SYNTEL’S PROVEN EXPERIENCE AND COMMITMENT TO QUALITY**

During the last two decades, Syntel has helped numerous Global 2000 customers stay ahead of a wide range of technology developments. Syntel’s solution approach is distinguished by a commitment to quality standards, global delivery, flexibility, and an integrated IT environment.

**Industry-leading standards: SEI CMMI Level 5, ISO 9001 certification**

Effective IT solutions are built on a platform of outstanding quality. Syntel's top project managers are certified by the Project Management Institute (PMI). At the same time, Syntel's Global Development Centers are ISO 9001:2000 certified, and Syntel centers in India have achieved SEI CMMI Level 5 and have won quality recognition from global companies around the world.

**Global delivery model**

Syntel pioneered the on-site/offsite Global Delivery Service approach in 1992 and has been winning converts to it ever since. Syntel global centers enable the delivery of complex IT projects in the areas of Applications Outsourcing and e-Business, with outstanding quality and cost levels—in about half the time of its domestic competitors.
Flexibility
In a word, Syntel is easy to work with—customers report that Syntel is flexible, accommodating, and adaptable. The focus is on speed of execution, overall responsiveness to changing project demands, and in general, delivering increased measurable benefits to customers.

Latest to legacy
The Syntel IT service delivery is built on the premise that customers need a global IT partner that can truly integrate the enterprise, whether that entails a legacy mainframe application, client/server systems, or the latest CRM, Web, or data warehousing approach. Syntel calls this Latest to Legacy, and in short, it means Syntel has the experience, methodologies, and consultant training to fully integrate global enterprise environments as customers work to build their own Digital Ecosystems.

CONCLUSION
Service Level Agreements (SLAs) are an essential component of all outsourcing projects, helping the customer and vendor measure the productivity and service quality improvements provided by the outsourcing firm. When defined appropriately, an SLA helps set expectations and establish targets for measuring the achievement of contract and business objectives.

The answer to more effective outsourcing engagements involves a Service Level Agreement that considers both short and long-term objectives and integrates business with technology strategy. With a continual focus on service levels and risk, as well as cost reduction and efficiency, organizations can realize improved efficiency, reduced risk from unplanned events, greater assurance that service level objectives will be met, and better overall responsiveness to the needs of business users.

Syntel has developed a solid methodology to ensure the development of SLAs that provide the most accurate representation of an organization’s needs and a detailed roadmap on how to address them. Syntel’s experience with and approach to SLAs provides customers with a competitive advantage by offering the ability to:

• Compare real-time measurements against historical baseline trends so organizations can detect anomalies and remediate issues appropriately.
• Predict potential problems associated with IT infrastructure (e.g., availability and performance) before they become bigger issues.
• Align IT service and business objectives for the maximum return on investment.

References
1 META Group, Inc., Service-Level Agreements: A Framework, Template, and Implementation Toolkit, 2004
Syntel provides custom outsourcing solutions to Global 2000 corporations. Founded in 1980, Syntel’s portfolio of services includes BPO, complex application development, management, product engineering, and enterprise application integration services, as well as e-Business development and integration, wireless solutions, data warehousing, CRM, and ERP.

We maximize outsourcing investments through an onsite/offshore Global Delivery Service, increasing the efficiency of how complex projects are delivered. Syntel’s global approach also makes a significant and positive impact on speed-to-market, budgets, and quality. We deploy a custom delivery model that is a seamless extension of your organization to fit your business goals and a proprietary knowledge transfer methodology to guarantee knowledge continuity.