



**Integrating Service Level
Agreements and Balanced
Score Cards Within Your
Relationship Management**

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Integrating Service Level Agreements

Main Points

- The service level agreement (SLA) and balanced score card (BSC) have a similar “flavor”, however there are distinct differences: you need to integrate both to be successful.
- The advantages of including both SLAs and BSCs in your relationship far outweigh the cost and burden of deploying them.
- Integrating them within your organization will be challenging and some tips are provided that may help you overcome these obstacles.
- Proven technology is available to help integrate SLAs and BSCs: you will need to decide if you want specialized or holistic solutions.

Differences and Similarities Between the SLA and BSC

According to Wikipedia, the BSC began as a concept for measuring the alignment of the smaller-scale operational activities of a company with its larger-scale objectives in terms of vision and strategy. In 1993, Robert Kaplan and David Norton began publicizing the balanced scorecard through a series of journal articles. In 1996, they published the book *The Balanced Scorecard*.

A SLA is a formally negotiated agreement between two parties. It is contained in a contract that exists between customers and their service provider, client or between service providers. It records the common understanding about services, priorities, responsibilities, guarantees, and so on — collectively the level of service. For example, it may specify the levels of availability, serviceability, performance, operation, or other attributes of the service, such as billing. It may even outline penalties in the case of violation of the SLA.

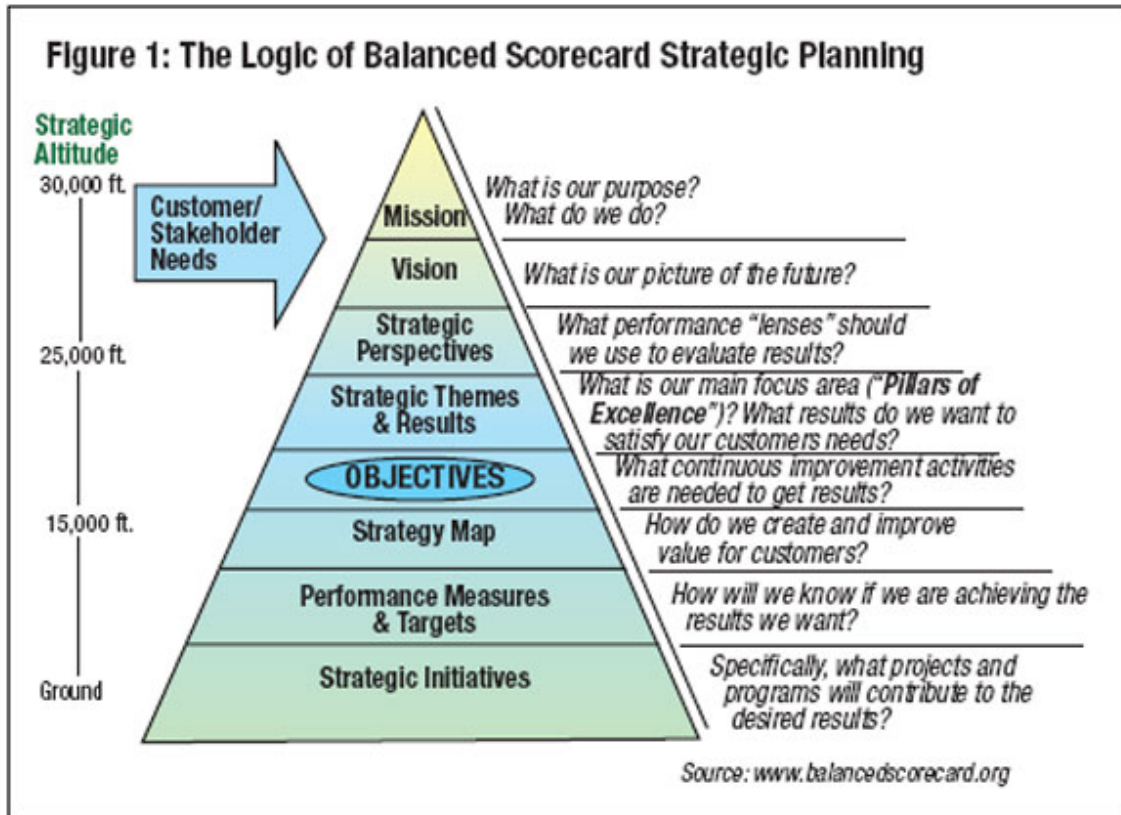
Two similarities between the SLA and BSC are that both:

- Are easy to conceptualize but challenging to implement well; and
- Report on a few critical elements of a more complex relationship.

They should be used to complement each other, particularly in managing relationships. The BSC is a framework for reporting on SLA performance and also offers a reliable and proven methodology to implement proper internal SLA management.

Value Gained Through Effective Integration

In managing relationships, communication is paramount, but this can become complex in large organizations, especially with longer-term agreements. Designing what’s important for success (critical success factors) and having mutual agreement is fundamental to a successful relationship. Documenting these elements appropriately and then measuring and providing relevant reporting/alerts can help instill visibility and ensure proactive resolutions.



A well-integrated SLA and BSC program with jointly agreed measures that will be reported in a timely manner can help to create a "balanced" contractual agreement between client and their supplier/partner. Ensuring the parties have full visibility of these measured elements will promote an open and symbiotic relationship, resulting in quicker resolutions and optimal delivery.

Some other benefits of integrating the SLA and BSC:

- It helps both the customer and the supplier to work towards a shared vision, goals and objectives;
- It aligns the client organization's picture of the future (shared vision) with business strategy, desired stakeholder (internal and external) behaviors, and day-to-day operations;
- Strategic performance measures are used to better inform decision-making and show progress towards desired results;
- It measures what matters the most;
- It identifies more efficient processes focused on client needs;
- It improves prioritization of initiatives;
- It improves internal and external communications;
- It improves alignment of strategy and day-to-day operations;
- It links budgeting and cost control processes to strategy; and

- It provides auditable contractual compliance to jointly agreed measures.

How to Effectively Integrate the SLA and BSC Within Your Organization

In a buy-side process, it's important to establish the concept of BSC and SLA during the request for proposal (RFP) process. Internal stakeholders should include a draft list of BSC and SLA criteria in the RFP and solicit supplier feedback on these elements. Ultimately, you want mutual agreement from both parties on all of the elements, so the earlier you can establish the need to include this in the relationship management, the better the buy-in. You will find that suppliers will be keen to implement these in their relationship management, especially if they are provided the opportunity to collaborate and be a key part in formatting the metrics that will be measured.

Some suggestions to get started:

- Get internal agreement on the key measures for both the SLA and BSC.
- Include these in the RFP and ask for supplier feedback, including if they wish to make changes to the list.
- Include these elements in the contract negotiation check list.
- Include the final list in the contract.
- Establish a reporting schedule to review the measures, progress and escalations.
- Make all stakeholders, internal and external, aware of the SLA and BSC measures, including thresholds (such as, what means success, what should trigger action).
- Include the criteria within the tools/systems used to measure.
- Advertise your successes in implementing these measures and always continue with the buy-in process, both internally and externally.

In the sales-side, Figure 1 depicts the process used to develop measures in a BSC. The above buy-side process can be used to garner buy-in and adoption.

Leverage Technology

There are numerous software providers who exclusively focus on SLA and/or BSC management and can provide excellent tools to effectively manage the criteria for these initiatives. Some of the more robust contract management software providers have such functionality included within their products, allowing for a holistic post contract management approach that's fully integrated with all the other elements of contract/commitment management.

The organization needs to decide if it wants to implement several systems and then integrate those systems, or to look for a holistic system that offers components of contract/commitment management as well as SLA and BSC management.

Some of the features you should look for in a solution:

- It provides strategic information about your BSC measurement system to internal and external stakeholders.
- It communicates BSC strategy across the organization.

- It provides increased visibility, accountability and transparency.
- It automates the delivery of key reports.
- SLAs are included in the contractual agreements, enabling measurements, including automated data capture from line of business systems.

Next Steps

As you can see, implementing the SLA and BSC within your relationship management will offer you key advantages and is definitely a worthwhile exercise to undertake. There may be some divisions within your company already performing a similar activity, so it's important to find out what's working and what's not working so that you can adjust your implementation to give you the best changes of success. There are a number of resources on the internet that can help you build this program within your organization. One of these sites is: www.balancedscorecard.org, where you will also find useful links to consultants and other resources that can help you.

About the Author

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Upside Software is Canada's Top 100 Employer (2009), the '2007 Supply & Demand Chain Executive Top 100 Company & 2006 Deloitte Fast 50 Company'. Ashif was named the Entrepreneur of the Year by the Business Development Bank of Canada in 2007 and also the 2002 Ernst & Young Entrepreneur of the Year® recipient (Prairies Region – Young Entrepreneur), recognized as the 2008 Supply & Demand Chain Executive Pro to know, ranked as Canada's Top 40 under 40TM (2004), a member of the Financial Executives International and was recently awarded the Queen's Golden Jubilee Medal.