The Future of the SLA

We may all be in the high tech business but when you boil it down, most business people are straight-forward and the basic question they usually ask the service provider is: 'Show me the money? I'm paying you a lot, show me that you're worth it' - By **Yisrael Dancziger, President & CEO, DigitalFuel**

The Service Level Agreement (SLA) is on the move. What started life as a way of assuring telco customers that the quality of expensive services could be maintained or their money back, is fast evolving into a much more refined set of techniques for monitoring and managing the increasingly complex mesh of business-level obligations involved in communications service delivery. Instead of simply measuring bits and packets and uptime, today's SLAs increasingly aim to ensure that the service provider's internal, departmental obligations are being met on customer services and that the third parties involved in service delivery are also upholding their end of the bargain. The crucial component here is the SLA management system.

"The key factor is that we're moving from technical parameters to the business aspects as well," says Karl Whitelock, Senior Consulting Analyst in OSS/BSS strategies at telco research firm Stratecast, a division of Frost & Sullivan. "In the past carriers have always focused on service level agreements which have tended to deal in network performance. However in today's changing business environment, enterprise customers are demanding that services providers monitor and optimize the business aspects of service deliver as well as the bare technical facts and figures. We call this 'business service management' for the communications sector," he says. Business service management, and the SLA management systems which control it, will be a crucial component in the development of complex next generation services for enterprises. Here's why. For most of the 100 or so years of the telecom business so far, telco operations, planning and administration was traditionally done without computers. Today that's become hard for us to imagine. Just think about it: network management, inventory, billing, fulfillment, you name it, until the last 20 to 40 years it happened on paper files and index cards. How could sprawling organizations with thousands of employees (sometimes hundreds of thousands) actually organize themselves and their services in a uniform way across vast geographies without using the information technologies we now take for granted?In fact

they did what many large organizations did - they codified. The only way to run a vast, distributed machine like a telecom network is through rigid rules and procedures, so telcos originally set out every operational step and process in vast paper manuals and everything was done 'by the book'. The service delivery was sometimes slow by today's standards and the services on offer didn't change much from decade to decade, but they worked.

Today that obsession with process is still embedded in telco culture and is often seen as a drag anchor on telcos' ability to evolve into the fast-moving, content and service experts they wish to become.. But the good news is that 'process' is being rehabilitated. Far from being a legacy that should be consigned to history, the telco style 'factory' approach, involving the delivery of a centralized, repeatable, templatized backbone of standard services, will be one of their most important weapons in the fast-emerging, highly competitive world of next generation communications services. This time, however, the factory will be run by computers.

Everyone knows things are changing fast in the telecommunications sector. Convergence between telecom, IT and media is seeing new players such as device vendors, internet companies, cable companies and so on, enter what used to be telecom territory, selling communications services and applications. At the same time customer needs are changing, especially enterprise customers.

Where 10 or 20 years ago companies were happy to buy connectivity and components and plug them together to build their own network systems, today they want end-to-end solutions. And they want them to be cost-effective and show a return to the business. Achieving that means offerings with both extra complexity and involving extra participants in the delivery chain. Telcos are therefore looking to deliver a greater range of complex services to enterprises, involving end-to-end delivery and a complex web of partners.

But might this be a temporary telecom market phase? Won't users eventually return to more in-house development in a few years time? I don't think so - the trend to communications solutions is here to stay. There's a major paradigm shift happening right across the board in all sectors. Enterprises are starting to deliver services instead of products, right across the board. The reason is that companies are focusing on their core competencies in what they do and for the rest they want to have someone else deliver a complete solution, not just a product but a combination of product and service which can solve a problem from end to end.
This is creating a big demand and causing growth in many service industries and in areas that have traditionally been product areas and are becoming service areas - in telecommunications, IT, business processes and much more besides. It's a global multi-sector trend driven by globalization, increasing competition and specialization and it's almost certainly here to stay.

Today all telcos understand that trying to do one-off deals, like taking over an IT shop or a bank's network environment say, is not going to be the way to sustain margins. To prosper they have to hang onto that core factory competence, refine it, automate lots of it, apply new technology to it, and point it at the new market opportunities. The demand is certainly there.
"Nobody today invests in their own private networks like they did in the past, they tend to contract out responsibility more," says Karl Whitelock. "But the interesting thing is that this process of contracting out is rippling through the chain. The service provider is also specializing, so the service provider will also contract out aspects of the contract to other third parties." In effect what we're seeing is the development of webs of reliable service partners working in concert to provide complete solutions for customers. To control that process customer-facing service providers need software that can monitor and manage the business commitments as well as the underlying technologies. It's this 'responsibility complexity' that makes sophisticated SLA Management software crucial. For instance, if you look at the TM Forum's eTOM (Enhanced Telecom Operations Map) you will see that there are SLAs in every section of the process framework. These SLAs represent business obligations between all the different parts of a telco's organization which ripple through to influence the specific business obligation to the customer.
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So Digital Fuel's ServiceFlow SLA Management software solution monitors and reports on the service and enables the telco to manage the obligations shouldered by both external partners and by various internal departments like IT (bringing projects and upgrades in on time, for instance) which all combine to produce the service ultimately delivered to the customer. As important, the software solution enables the service provider to actually show the customer that the service is being delivered as agreed.

ServiceFlow addresses two questions the service provider should be asking himself. Am I delivering on my business obligations? And am I charging according to the agreement? Naturally, contracts with enterprises tend to be much more complex than consumer contracts and involve multiple formulas pertaining to how the service provider gets paid for usage, the expected business impact of the service, and the service provider's own performance in executing service delivery. The software solution also generates information that enables the enterprise to charge internally.

But while a solution like ServiceFlow can do a great job gathering diverse information from multiple sources and correlating it against the obligations to enable the service provider to identify potential problems proactively, trace the root cause of problems or improve overall performance, it's not necessary to incorporate input from every device and process to gain benefit. Service providers can start out managing critical processes that most affect their customer success, and then expand from there.

A service provider should use its SLAs to show the customer, not only that it's meeting the commitments it's made, but that the services are positively impacting the enterprise's own business

Properly enabled, an SLA management system can provide a way of explaining: "This is how I'm helping you deliver on your commitments to your own customers." That's a powerful tool and a powerful way to retain customers and win new business. We may all be in the high tech business but when you boil it down, most business people are straight-forward and the basic question they usually ask the service provider is: 'Show me the money? I'm paying you a lot, show me that you're worth it.' The future of the SLA is in helping service providers to do just that.