How To Design A Service Partnership Agreement That Works

A successful client relationship must be built upon a strong foundation. This means understanding the client's expectations and being upfront about your requirements to deliver against these expectations. Many organizations do not have formal agreements, especially for internal services. Others rely on service level agreements that are typically one-way, boilerplate agreements focused on outputs and costs. Today more organizations are incorporating leading practices and leveraging Service Partnership Agreements to document, support and develop true partnerships with their clients.

The advantage of SPAs over SLAs are that they reflect the more collaborative nature of today's Shared Services and recognize the responsibilities of both parties in making the Shared Services model a success. Ideally, the SPA is developed along the transformation journey and simply documents the shared decision-making around key governance topics such as outputs, inputs, roles, responsibilities, escalation and performance monitoring. But all organizations can benefit from the supportive power of SPAs, as long as the process to develop them is based on true client engagement and not an activity to complete in order to check an item off a task list.

SPAs are new tools for many organizations, so we start with a definition and compare it to SLAs with which many are more familiar. We review the process to develop SPAs and close with SPA best practices.

SPA DEFINITION

A Service Partnership Agreement is a formally negotiated agreement that confirms expectations, clarifies responsibilities and facilitates communications between the service provider and the client. It is first and foremost a means of communicating, managing and guiding a Shared Services relationship:

What a SPA IS	What a SPA is NOT
A communication tool	A mandate
An expectations-managing mechanism	A tool for either party to "get" something from the other
A conflict reduction tool	A complaint-stifling mechanism
A living document	A unilateral decision-making process
An objective process for gauging service effective-ness	A quick fix

Contrasting with SLAs

In contrast to service level agreements, SPAs work both ways, highlight ownership and responsibility for "inputs", and are very much used as a means of driving improvements through a given process. As such, a SPA is a flexible, evolving tool that helps to reflect changes in client requirements to the services provider.

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Service Level Agreements (SLAs)		Service Partnership Agreements (SPAs)	
Typically one-way outlining SSO services & cost to client	**Direction**	Bi-directional outlining SSO & client responsibilities in service provision	
Catalogue of services that can be purchased by clients	**Service items**	End-to-end breakdown of service by process, showing ownership (whether client, corporate or SSO)	
Can be inflexible & imposed; often presented to clients near go-live	**Development**	Negotiated & agreed between clients and providers; developed during Design & Build phases	
Legal/contractual language	**Language**	Includes legal/contractual language and guide to operating business	
Sometimes	**KPIs**	Negotiated & agreed	
Generally avoid invoking SLAs as use indicates contractual/legal issue	**How Used**	SPAs used regularly to enhance understanding & drive process improvement	

> "Service Level Agreements are similar to that hammer in the tool box with the well-worn handle, we often end up in an adversarial relationship and are just as likely to damage the situation as improve it."
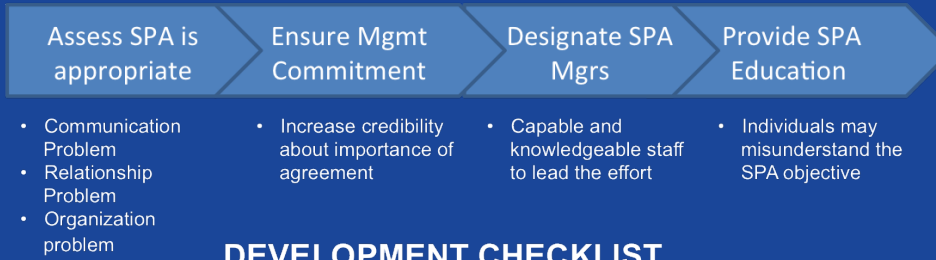>
> **Chas Moore, Managing Director, North America (West), Chazey Partners**
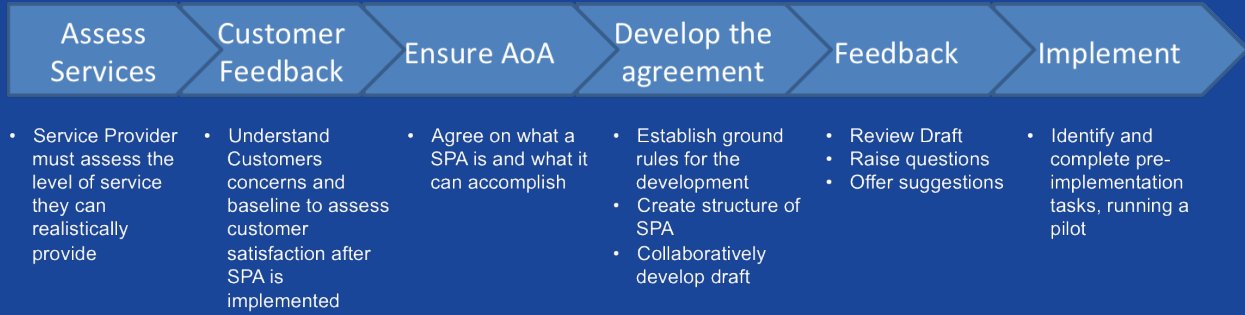
Critical Steps in Designing a SPA

For best results, SPAs should be developed during the Shared Services Design phase, refined during the Build/Deploy and maintained and updated during operations. One of the key failure points with SLAs (beyond their typical legalese, one-way nature, and inflexible wording) is that they are often thought of after-the-fact, as a need-to-do after go-live. This commonly results in whomever has capacity after go-live being given the task of consulting with stakeholders and leveraging a standard template to create a tool that is seen as necessary requirement, but something to gather dust on a shelf. In contrast, SPAs are first and foremost communication document leveraged regularly to help drive root cause analysis, to improve the process, and engage the client/provider relationship.

It is important to distinguish between the SPA document and the process by which that document is established. Ideally, the process develops and improves the relationship between service provider and client while also defining the actual agreement (document) that governs the relationship (see below).

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CRITICAL INITIAL STEPS

Assess SPA is appropriate	Ensure Mgmt Commitment	Designate SPA Mgrs	Provide SPA Education
• Communication Problem • Relationship Problem • Organization problem	• Increase credibility about importance of agreement	• Capable and knowledgeable staff to lead the effort	• Individuals may misunderstand the SPA objective

DEVELOPMENT CHECKLIST

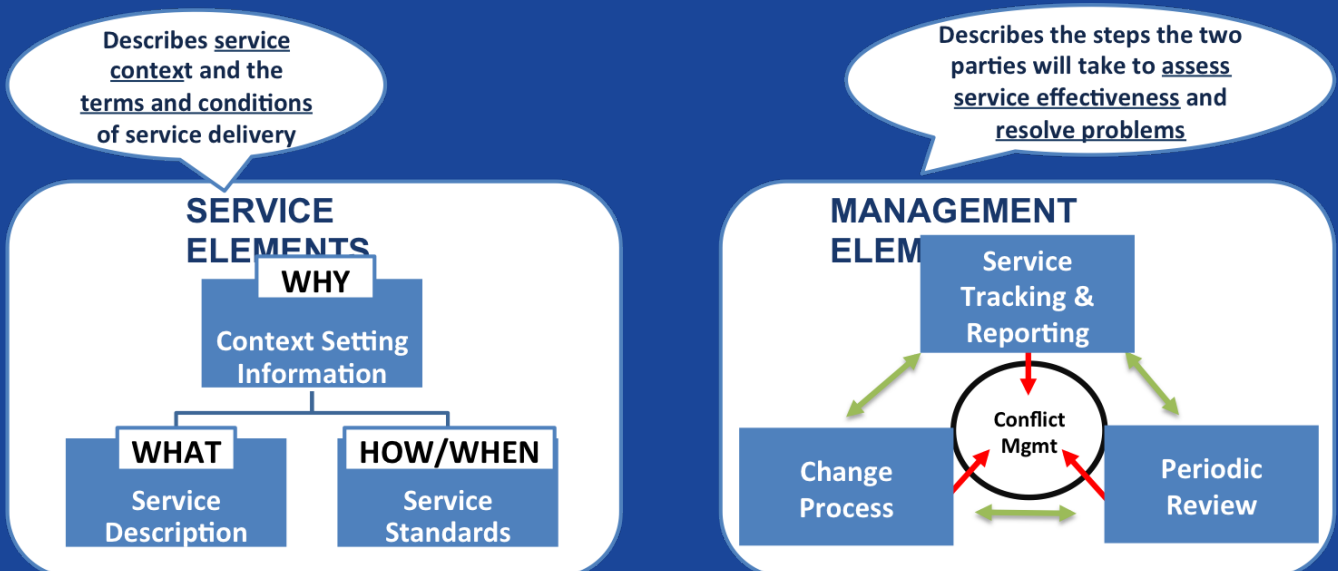| Assess Services	Customer Feedback	Ensure AoA	Develop the agreement	Feedback	Implement
• Service Provider must assess the level of service they can realistically provide	• Understand Customers concerns and baseline to assess customer satisfaction after SPA is implemented	• Agree on what a SPA is and what it can accomplish	• Establish ground rules for the development • Create structure of SPA • Collaboratively develop draft	• Review Draft • Raise questions • Offer suggestions	• Identify and complete pre-implementation tasks, running a pilot

Six Fundamental Elements of a SPA

There are six fundamental elements to a SPA, which include 3 service elements, and 3 management elements (see Figure below). Organizations often focus primarily on the service elements and overlook the management elements. As a result, when the SPA fails to live up to expectations, the problem is often that the management elements have been neglected.

Key Elements of a SPA

Describes **service context** and the **terms and conditions** of service delivery

Describes the steps the two parties will take to **assess service effectiveness** and **resolve problems**

SERVICE ELEMENTS

WHY

Context Setting Information

WHAT

Service Description

HOW/WHEN

Service Standards

MANAGEMENT ELEMENTS

Service Tracking & Reporting

Conflict Mgmt

Change Process

Periodic Review

Organizations often focus primarily on the Service Elements and overlook the Management Elements. When an SPA does not function as the parties had hoped, the problem is often that it is missing some or all of the Management Elements .

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Service Elements

1. **Service Descriptions:** Your customers need to understand and buy into your services. This means that you need to define them and their measures carefully, and you need to maintain the understanding over time and through staff turnover. (A sample service description is below.)

Sample Service Element

Employee Training & Development				
Description: Evaluate and respond to training requests, identify training needs, select and manage vendors, and arrange and coordinate classes.				
Benefits: One-Stop shopping for corporate training needs				
Excluding: IT training is coordinated and arranged by IT Training Dept, X5980				
Availability	How to Obtain	Prerequisites	Contact Info	References
8:00-5:00 M-F	Submit HR form 12-546	See specific courses for pertinent prerequisities	Training manager, X5943	Policies & Procedures Manual

2. The **Context Setting** information provides an overview of the SPA, such as cover page, table of contents, summary, parties to, purpose of and scope of the agreement, glossary of terms, related documents, and signatures and dates.

   Service Elements also include Description and Service Standards, which provide detailed information on the environment, service availability, descriptions and benefits as well as services availability. It also lists services not covered.

3. Service Standards include availability, responsiveness, timeliness, quality, urgency levels, variations and service exceptions

Management Elements

The Management Elements section includes details on Tracking and Reporting, Reviews, the Change Process, and Problem Resolution. As part of the management elements, it is important to consider adding targets for Service Performance, consequences of failure, rewards, renegotiation procedures and the process for termination of the SPA.

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SPA Best Practices

There are a number of important issues that can lead to a SPA's failure, despite the best efforts and intentions of both parties. Either party sometimes makes the mistake of using SPAs as a defensive tool or weapon, to apportion blame on the other. That is not its purpose. If the SPA process is followed carefully, such miscommunications or misunderstandings should be eliminated before they cause damage. The SPA process precedes the SPA document, and it is important to understand that this requires a time commitment. SPAs are not created over night. Putting the document first ignores the importance of building a partnership with your client/customer.

Again it is worth emphasizing that the management elements are what keep an SLA together. They guide the design process and are crucial to the success of the final output. It is also important that the SPA be created unilaterally, with both parties agreeing at every stage.

Finally, once the SPA is agreed it continues to evolve as the relationship evolves. An SPA allows for such transitions, as it is a living, breathing document. As such, it needs to be managed continuously.

Best Practices include:

1. Documenting the services, service levels, escalation procedures, and process ownership
2. Creating two-way agreements covering responsibilities of the provider and client, input & output KPIs, and process ownership
3. Negotiating and agreeing the SPAs with the SSO and client
4. Ensuring that SPAs are effective and truly describe the actual service levels, targets and processes, with a process in place to update regularly
5. Leveraging the SPAs to foster a sense of partnership and teamwork between the SSO and client

Summary

SPAs are about culture and changing culture will take an investment in change management. You cannot expect a piece of paper, however well-written, to change how people work together when their only experiences have been guided by service level agreements.

It may be a stretch to say that the relationship between service providers and clients under a Service Partnership Agreement is like spending the day at the spa, but we can say it will provide better results than hammering your clients with a SLA.   If you aspire for a collaborative, effective relationship, you want a Service Partnership Agreement to document, guide and improve your journey.

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