Are you being served?

With the outsourcing industry set see a huge increase in the number of companies both offering, as well as using, the business model, *Arabian Computer News* takes a look at the crucial – but often overlooked – legal contract that comes with any deal.

By Ben Furfie

Service level agreements. Few things are as sleep inducing for CIOs as the contract that comes with a new service or solution. But while they aren't exactly riveting reading, any executive worth their salt knows that failing to check them throughly can result in them losing more than a couple of hours of their life they'd rather get back.

While the topic of service level agreements has been being discussed for over a decade, the issue has become even more urgent in recent years as the outsourcing of technology and services grows. "Reliable and secure IT systems, solutions and IT-enabled services have become the lifelines of modern day society and business," explains Matthew Glynn, partner and head of technology, media and communications for the Middle East, South Asia, and Africa at law firm DLA Piper. "With so many aspects of our lives and business entrusted to IT, the costs of a failed IT project or system can be significant and take many forms, including financial, operational and reputational."

The fact that services provided by outside partners – such as cloud computing – are becoming so important for a wide section of the Middle East enterprise community means that CIOs and their staff need to put a new emphasis on their impor-

tance explains Yasser Zeineldin, chief executive officer at Dubai-based managed services provider eHosting Datafort. "When you use some public cloud services today, you don't know where the data is, how it is being stored, or what preparations the company has taken to back it up. This is why it is crucial for companies to pay particularly close attention to what service level agreements say, who is responsible for what, and what your recourse is if things go wrong."

One of the key things that almost all the experts warned about was the risk of companies jumping in to these services without properly considering the consequences. "Over the last few years, studies have shown that the majority of technology outsourcing projects have not delivered the cost savings or performance improvements that customers had hoped for," says Glynn. "They say preparation is key, and this rings true when it comes to outsourcing. Many failed outsourcing projects can be attributed to what essentially amounts to a lack of preparation." One of the main things that causes failure is that the customer failed to properly account for the needs and desires of the entire business. "One difficulty sometimes encountered is that staff at different levels within the customer community may have different objectives and perceptions," explains Hugh Hendry, regional manager for service delivery and support at the managed services division of Gulf Business

Machines. "For example, a senior manager may never use a service and may be more interested in issues such as value for money and output, whereas a junior member of staff may use the service throughout the day and may be more interested in issues such as responsiveness, usability and reliability. It is important that all of the appropriate and relevant customer's requirements, at all levels, are identified and incorporated in SLAs."

Echoing Hendry, Glynn adds that rushing can also cause problems on the relationship side. "As is often the case due to lack of time, customers go to market with no detailed understanding of their requirements, including the service levels they want the supplier to meet. As a consequence, the supplier will struggle to resource and/or price the services with any certainty. The result will be numerous change requests or poor performance; neither lead to a successful relationship."

While the quality of the relationship might not sound like the most pressing of issues when it comes to a service level agreement, Hendry stresses that the text shouldn't be used to hold the other party to ransom, and good communication between the parties can avoid such situations. "Our information suggests that the biggest cause of failed outsourcings is poor or no relationship management. The emphasis must be on agreement, and SLAs should not be used as a way of holding one side or the other to ransom," he explains. "A true partnership should be developed between the IT provider and the customer, so that a mutually beneficial agreement is reached, otherwise the SLA will quickly fall into disrepute and a culture of blame will prevent any true service quality improvements from taking place." Glynn adds: "Our information suggests that the biggest cause of failed outsourcings is poor or no relationship management. The bottom line is that the customer and the supplier need to be aligned as to what services are to be improved and when, what amounts to a service improvement and how that service improvement will be measured, what is the reward to the supplier for getting things right, and what remedy the customer has for things gone wrong.

"For a technology outsourcing project to succeed, both parties need to benefit from the arrangement," he continues. "In blatant terms, the customer must feel that it is

$55.5bn
The amount IDC expects to be spent on cloud services by enterprises by the end of 2014

600%
The increase in companies relying on SLAs for key parts of their infrastructure by 2014, from 2009

Source: IDC CEMA

80%
The percentage of CIOs that expect a one hour callback on help enquiries

Source: Gartner

saving money and/or receiving substantial improvements in the outsourced services. The supplier, on the other hand, must

make money," he warns. "Too many failed outsourcings can trace their failure to the supplier's margins being eroded to the point that the supplier is unable to invest into delivering the improvements expected by the customer. Of course, that may not actually be the customer's fault, if the supplier has a higher cost base than other suppliers, struggles with inefficiencies or fails to benefit from the economies of scale. A properly run, and competitive procurement process should, however, expose those suppliers."

Another problem that Glynn says often leads to failure is an over reliance on the SLA. "Once a service is outsourced, it does not mean that the customer can sit back and let the supplier get on with providing the service," he says. "Customers need to maintain an active involvement in the outsourcing, albeit at a level with the supplier.

"They must be ready to adapt and assume a different role, which should continue for the lifetime of the outsourcing agreement. Large organisations have already learned the hard way and have set up dedicated procurement/sourcing departments whose full time role is to obtain, and manage the supply of, products and services that support the activities of the business." **ACN**

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CIOs need to be careful what they are signing up for in order to ensure they get the best deal.