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service level: expectations and frustrations

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agenda

Ridwaan Boda

- what is – and what is not – a service level agreement
- elements of a service level agreement
- measuring service levels

Isaivan Naidoo

- service level reporting
- remedies for service level failures



what is and is not a service level agreement

- Reference to “service level agreements” or “SLA’s” frequently misused
- We differentiate service level agreements from general terms and conditions / contracts / agreements
- Both have common elements such as boilerplate clauses, warranties, indemnities, liability provisions, force majeure and the like
- However, an agreement which does not contain certain specific elements is **NOT** a service level agreement
- Our focus for today: service level provisions; we will not deal with common terms in agreements
- Definition of a service level agreement: *“An agreement between a service provider or vendor and the user quantifying the minimum acceptable standard to the user.”*
- It is often said, “**what cannot be measured; does not exist**” – service is no different
- Another common saying, though sometimes misused, “if you can’t measure it, you can’t manage it”



service levels: benefit versus reality

- The difference between good service and no service is the ability to:
 - Describe the service and performance sought
 - Measure the service objectively
 - Address shortcomings in service
- Using service levels as a management tool
- Improving quality, efficacy and deriving value from a vendor
- What service levels cannot do:
 - Compensate for poor vendor selection
 - Ensure quality of underlying service / product
 - Measure value of service / price efficiency or competitiveness
 - Compensate for a poor commercial deal
 - Address other contractual breaches
 - Address lack of or no governance



elements of a service level agreement

- Service levels differ per service offering
- Different methodologies
- Understanding key concepts / elements of a service level agreement
 - Services descriptions
 - Payment clauses
 - Measurement periods
 - Critical and non-critical services
 - Measurement formulae
 - Performance levels
 - Service level credits / penalties
 - Exclusions / exceptions to non-performance
 - Reporting obligations
- Sometimes, service levels may be used for once-off events / deliverables but generally used for recurring services



measuring service levels – amount-at-risk model example

- Amount at risk model
 - Payment clauses
 - **Amount-at-risk**
 - Measurement periods
 - Critical and non-critical services
 - Measurement formulae
 - Performance levels
 - **Weighting factors**
 - Service level credits / penalties
 - Reporting obligations



example

Q4Ubank pays ABC software an amount of R100 per month in respect of support services. Q4Ubank also requires the vendor to attend certain meetings. The service provider fails to resolve 1 Incident reported in time during the month. In this case, the following will apply:

- Service descriptions: (1) Confirming log of incident, (2) Resolving incidents reported in time and (3) Attending meetings
- Payment: R100 per month
- Amount-at-Risk: 25% (of R100) = R25 of monthly payment
- Measurement period: monthly



example continued

- Measurement formulae: (1) Confirm log within 15 minutes in writing, (2) Resolve incident in time and (3) Attend meetings in time
- Critical and non-critical services: (2) and (3) are critical but (1) is non-critical
- Performance level required: 100%
- Weighting factors: for (2) 80% and (3) 20% (must add up to 100%)
- Service level credit / Penalty: 80% of R25 = R20 penalty



some dubious / “interesting” practices in SLA’s

- “Best efforts” or similar wording used as a measure of service
- “Watering down” of service levels through various (often creative) mechanisms
- Too many exclusions or instances of excused performance
- No reporting obligations
- Customer responsible for monitoring service levels
- Limited rights in the event of under performance
- No recourse in the event of under performance
- No ability to change / negotiate service levels (or weightings) as business objectives change
- No governance or lack of governance post contract signature



customer perspective | service provider perspective

- Measurement on commencement
- Service credits should be deducted in the event of SLA failure
- There will be a cap on the amount claimed
- The customer will also seek to ensure that legal remedies are not limited



service level reporting

- Why ?
- Who is responsible?
- What rights do you have to request the data?
- What happens if no report is provided?



remedies for service level failures

- General exclusions
- Relief events
- Dichotomy between damages, penalties and service levels
- Service credits
- Conventional Penalties Act
- Earn back

