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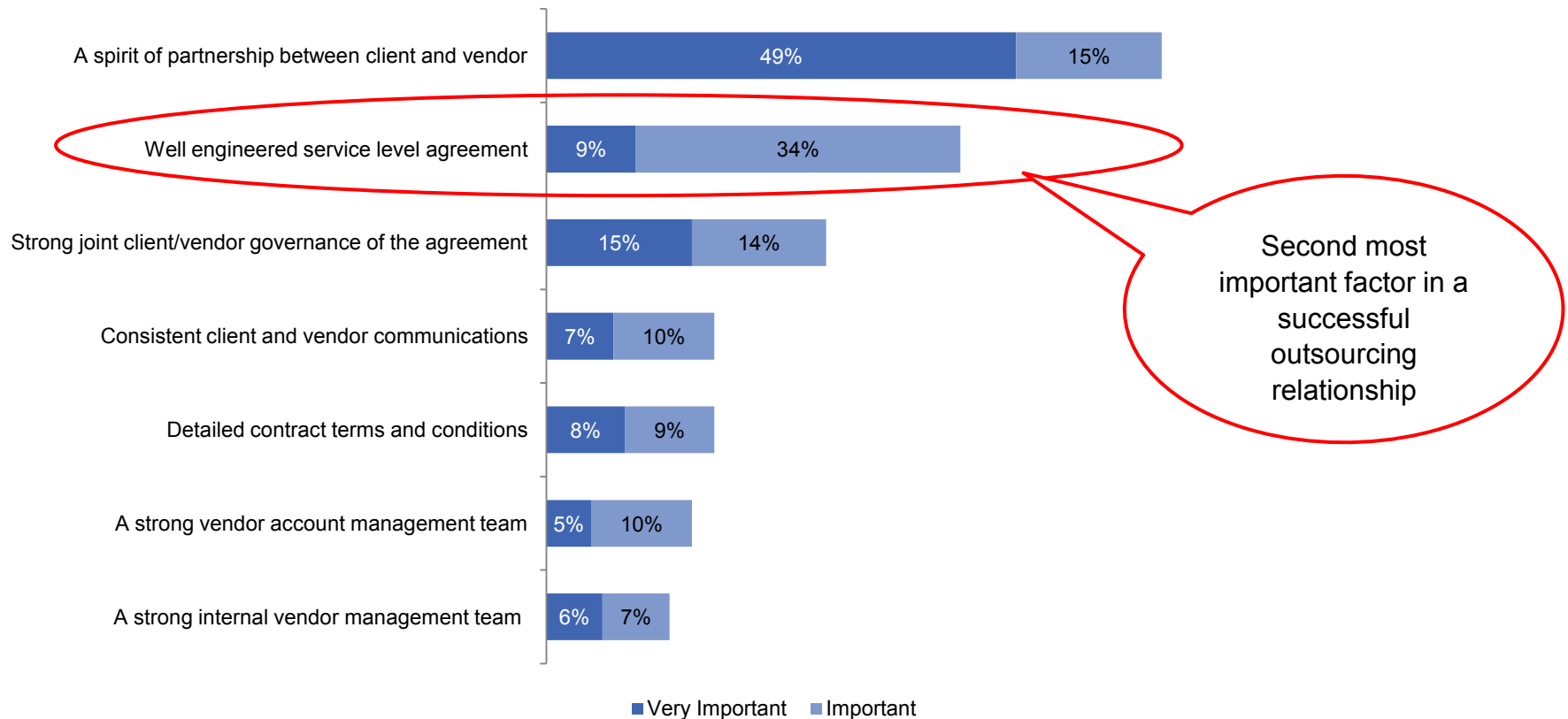## IAOP Nordic Chapter meeting – (roundtable discussion) Calibrating and using Service Levels efficiency

Deloitte Consulting Denmark

September 5, 2012

What factors/components do you feel are most critical to a successful outsourcing relationship?

Factor	Very Important	Important
A spirit of partnership between client and vendor	49%	15%
Well engineered service level agreement	9%	34%
Strong joint client/vendor governance of the agreement	15%	14%
Consistent client and vendor communications	7%	10%
Detailed contract terms and conditions	8%	9%
A strong vendor account management team	5%	10%
A strong internal vendor management team	6%	7%

■ Very Important ■ Important

Second most important factor in a successful outsourcing relationship

- The ability to partner and clearly communicate expectations are the most important success factors to respondents

- Contracts and the joint client/vendor management team are generally seen as somewhat important, but ineffective without the other key components

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How commonly are contracts terminated for cause or convenience?

Have you ever terminated an outsourcing contract for cause or convenience?
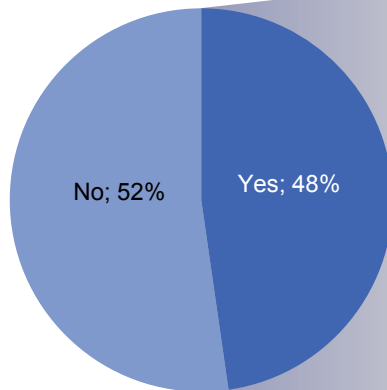
Which factors were most important in your decision to terminate the contract(s) early?
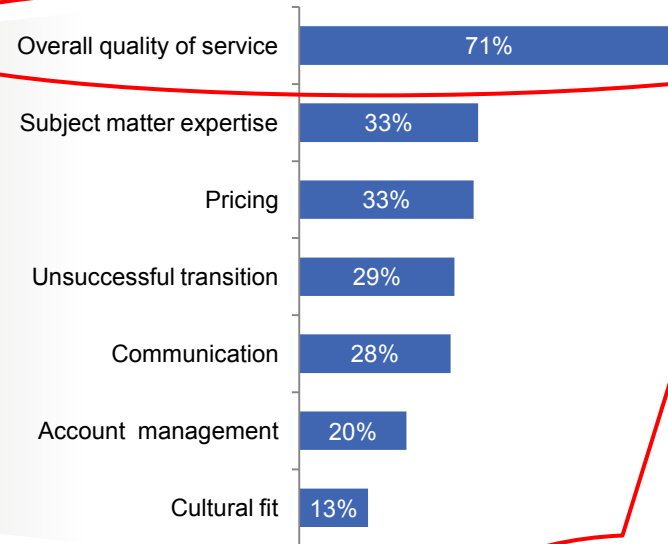
- Almost half of respondents have terminated an outsourcing contract in the past

- Of the terminations, the perceived quality of service is the single biggest factor in the decision

- Culture and the ability to properly transition tends to be relatively unimportant to the decision to terminate

important factor in the decision to terminate contracts(s) early

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Topics to discuss

What constitutes a good service level?

- Measureable (and achievable)
- Aligned with business importance
- Aligned with market standard
- Fair – minor defaults doesn't generate a large penalty
- Assumes nothing – bringing in new capacity? (2nd generation tend to include additional service levels), faulty deliveries/re-test
- Manageable – by the customers vendor management organization (maturity)

How complicated can a Service Level model be?

- Very – but important to keep it as simple as possible
- High level perspective can be supported by "service index" overall or by service tower

What is difficult?

- To specify service level, when current service levels is unknown (1st gen.)
- To calibrate model correctly, so that it is fair. Use grace periods and recalibrate service levels that is not working.

Should all service levels contain a sanction (penalty)?

- No – but should be measured – provide information on expectations and important information (customer satisfaction survey etc.)

Which incentive works efficiently on top of service levels?

- Penalty – must be there
- Bonus? (some believe, some find that they pay twice)
- Possibility of regaining penalties
- Escalation model/factor
- Connect to proactive remedies

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