Improving IT service outsourcing experience: The magic of bringing XLAs™ & SLAs together

Business Situation

A regional utility company with 10,000 employees was ending a first time, multi-year IT infrastructure outsourcing contract with a well-known, sizeable India-based outsourcer. At the termination of the contract, the client was extremely unhappy with:

- the lack of service quality,
- the lack of promised innovation and cost reductions,
- the poor employee experience with the technical services delivery quality,
- the unacceptable governance experience with the management of disputes and issues,
- the ineffectiveness of financial penalties as a lever to obtain service performance improvements.

XLACollab consultants assisted in the outsourcing contract rebid process. We created several **Employee Experience Level Agreements** (XLA*) to augment the Service Level Agreement (SLA) for the new IT Infrastructure outsourcing contract.

This case study describes what we did, how we did it, and the results obtained.

The Experience Journey Taken

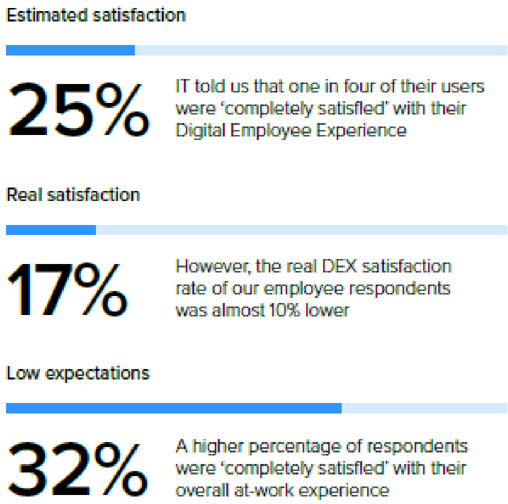
The client's executive team believed that experience was to be a vital component of a new outsourcing relationship. The CEO had laid out an ambition that IT would deliver an industry-leading employee experience in the coming years as a retention strategy. The IT executives and senior IT management established that managing experience would be essential to a new successful outsourcing relationship. Experience was determined to be non-negotiable and a primary selection criterion for the proposal responses.

Outside of the motivated executive team, there were also some skeptics about this "touchy-feeling thing" called experience. That skepticism went beyond the client's IT service delivery team and included the rebid respondents and their subcontractors. We needed to educate and convince these stakeholders that this was not just another business fad pushed by consultants.

As with all significant change, some stakeholders were ready to be change agents, some continued to "sit on the fence," and some refused to change. However, we found even the "non-believers" were happy to provide plenty of (mostly negative) experience examples to us.

The Vanson Bourne Digital Experience Survey of 2020**, found that IT over-estimates employee digital experience satisfaction by 47%.

It is clearly not prudent to rely solely on IT's view of what they think the employees feel is a positive IT service experience. It is essential to gain first-hand feedback from non-IT employees. We collected considerable data, documentation, and conducted interviews to establish the actual experience needs of the employees.



** Note: https://www.nexthink.com/wp-content/uploads/2020/03/Vanson-Bourne-PDF-Final-Draft.pdf

What We Did: XLAs

We started with a thorough analysis of the existing contract to identify possible causes behind the ineffectiveness and areas for future experience improvements. We then moved through characterizing and understanding the current employee experience landscape and the experience failures with the previous outsourcer. Once the wants and needs of the **Employee Experience XLA** were considered explicit, we proceeded to develop that XLA.

It became apparent that a single XLA for measuring and scoring Employee Experience was going to be insufficient to address the range of previous experience failures and discoveries. Analysis of the existing experience landscape showed several areas of negative experience that required additional XLAs.

A recurring theme from the conversations with business executives was that entire groups such as HR, Procurement, and Finance had significant and poor experiences with IT. There was evidence that considerable pockets of "shadow IT" were unwilling to engage IT for technology projects. This hesitancy was due to experiencing excessive bureaucracy and hassle when working with IT. This finding led to the development of a second "**Business Experience with IT XLA.**"

We identified contract and experience failures by the previous infrastructure services supplier in areas such as team attrition, inadequate training, insufficient onboarding of new employees, and failed promises to improve. There seemed to be an intentional failure to innovate and reduce costs per the contract. This failure was made worse by a lack of contract change discipline and a woefully deficient commitment to maintaining (what is commonly referred to as) "full-stack currency." The negative IT experiences as a result of these shortcomings had built to emotional levels ranging from frustration to actual anger with the previous supplier.

These findings led to two additional XLAs:

- "**IT's Experience with the Supplier XLA**," and
- "**Improving Employee Experience by the Supplier XLA**."

What We Did: SLAs

Upon creation of the XLAs, we turned our attention to the SLA exhibit in the contract. The objective was to change the KPIs for the new agreement and reduce the overall number. We also revisited performance thresholds and generally applied our KPI best practices to the contract. We spoke with each of the client's IT infrastructure service line owners to gauge the appropriateness of the existing KPIs and their performance thresholds. We listened to the challenges and frustrations from the IT vendor management leaders regarding the lack of effectiveness of the financial penalties as the only means to control the supplier's performance.

Using the four XLAs as the starting point, we then looked to align the SLA KPIs with the four XLA's and their experience indicators (XIs). The XIs in an XLA are the equivalent to the KPIs in an SLA; they define what to measure. The service line owners had several years of actual monthly KPI performance measures. They had concrete ideas on what levels/metrics/thresholds of expected vs. unacceptable they wanted. We found that many of the existing KPIs needed threshold limits raised to higher levels.

We then looked at each KPI with these questions in mind:

- Does a KPI either directly or indirectly impact the employee experience, internal business experiences with IT, IT experience with the supplier or the supplier improving experience?
- Can a KPI be eliminated, reduced, left as is, or even be added regardless of the potential impact on experience?

Yet again, there were a considerable number of more "non-believers" in the idea of aligning XLAs XIs and SLA KPIs. Much debate centered around whether "KPIs exist for a reason, so why would we get rid of any?" Sometimes KPIs are no longer relevant due to changed circumstances and, therefore, may no longer be valid. Just because we can measure something, do we benefit from measuring it? There was also the argument that more KPIs equate to more control.

The notion that one gains more power by loosening control was uncomfortable for some IT service line owners.

The Results

The **original contract SLA** had 47 KPIs considered "Critical Service Levels":

- **Cross Functional** services with **11 KPIs**,
- **Servers** service line with **14 KPIs**,
- **End User Computing** with **11 KPIs**, and
- **Service Desk** with **11 KPIs**.

We ended up with a **newly revised contract SLA** with only 18 KPIs aligned with the 4 XLAs:

- **Cross Functional** services has **4 KPIs**,
- **Servers** service line has **6 KPIs**,
- **End User Computing** has **4 KPIs**, and
- **Service Desk** has 3 KPIs.

The four XLAs that augmented those reduced SLA KPIs were:

- **Employee Experience with IT Services** has **7 XIs** measuring sentiment (X-data),
- **Business Experience with IT** has **7 XIs** measuring operational data (O-data) and X-data,
- **Supplier Improving Employee Experience** has **5 XIs** measuring O-data, and
- **IT's Experience with Outsource Supplier** has **15 XIs** measuring O-data and X-data.

Take Away 1

Service Desk was most transformative as far as direct XLA experience impact. Service Desk is, in reality, the face of IT to the employees. It should not be surprising that the three KPIs left all were directly affecting employee experience:

- Service Desk First Call Resolution Rate,
- Service Desk Average Speed to Answer, and
- Service Desk Call Abandon Rate.

These remaining three service desk KPIs are good examples of O-data measured KPIs that have a direct and clear impact on the employee experience sentiment. We would expect to see these reflected in the X-data responses from subsequent employee surveys.

Some of the original Service Desk KPIs that were eliminated *from the contract* included:

- Service Desk Monthly Reports Delivery,
- Service Desk Talk Time ≤ 10 Minutes,
- Service Desk Percentage of Incident Records Closed and Not Reopened, and
- Service Desk Ticket Assignment Accuracy Rate.

Because the service delivery is now controlled by looking at the experience, we can now afford to allow the service-desk management to run their organization without extensive KPIs in the contract. In this way, we can exclude those additional Service Desk KPIs from the formal contract, and still expect the Service Desk to properly manage its workforce and operation to the highest of standards.

We assume that if the employee experience is good as reflected through the Service Desk interaction, then they are doing their job and meeting expectations. If the experience is not good, it becomes a governance issue to be resolved in a spirit of mutual collaboration. XLAs encourage openness and cooperation instead of the typical adversarial, punishment, and blame approach that traditional KPI application tends to create. This attitudinal change is also exactly what we have seen in successive XLA-based engagements.

The hard fact is that when an SLA is drawn up, some number of KPIs are selected that will endure over the life of the contract. It has proven to be notoriously difficult to predict which KPIs will be most informative in managing the performance over the life of a multi-year contract. It is, at best, a guessing game. It presupposes that unforeseen events and issues will probably not occur. It also assumes that, if they do, we'll have enough other KPIs that will control detect and resolve those events and issues.

The KPI paradigm that "more is better" is also false. Just like adding salt to a stew; a little can enhance the taste but too much spoils the stew. KPIs are measures of a transaction or output from some aspect of IT operations and delivery. It is evident that selecting 50, 100 or more KPIs to measure cannot possibly accurately reflect the thousands and thousands of actual transactions and outputs that occur.

Take Away 2

The **IT's Experience with Outsource Supplier** XLA has 15 XIs measuring various O-data and X-data sources. This XLA has more than double the number of XIs than the other XLAs because these XIs satisfied the IT organization's specific wants and needs to avoid the unfortunate experience with the previous supplier.

The hidden assumption is that the new supplier will have the same kinds of experience problems as the previous supplier. X-data XIs included asking IT how they felt about the new supplier overall and the employees how they felt about the language skill levels of the Service Desk. O-data XIs included examining the supplier's attrition rate and the team completeness vs. planned staffing levels.

This **IT's Experience with Outsource Supplier** XLA is the first we recommend to "improve" since the chances of the new supplier having the exact types of same bad experience issues is pretty small. At least seven of those 15 XIs reflect the previous supplier situational experience. It is unlikely that they would apply to new situations and experiences.

Conclusion

XLAs do not replace SLAs; they augment them. Integrating SLAs and XLAs is a practical method for creating a fresh approach to outsourcing contracts and partner relationships. The traditional way of relying on strict KPIs for contract management have yielded disappointing results, such as:

- Adversarial threats of financial penalties did not avoid service performance issues,
- They did not work across the life of the contract nor to anyone's ultimate beneficial experience, and
- They did not guarantee a good experience for either the employees or businesses served.

Giving up control to gain more power may be an uncomfortable idea for some. However, it yields better experiences, creates a unified focus on the customer, and is more cost-effective.

That's **the magic of bringing XLAs & SLAs together.**

If you would like more information regarding XLAs & SLAs together,
please contact the author Bill Barrett.

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