



Winning Partnerships Through Service Level Agreements

May 20, 2011 • 1:00 PM

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The HR, Procurement and Supplier Alliance

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The HR, Procurement and Supplier Alliance

- Defined as “an association to further the common interests of the members”
- History
 - Standardized performance management between suppliers in a supply chain has been around since the 1950’s and 1960’s

- “By 2005, many companies had begun to separate the responsibility for purchasing services from the departments that used them.”
- In 2008, Worldwide ERC members were “reporting a growing involvement of procurement/purchasing professionals in the sourcing and monitoring of mobility services.” This represented a 30% increase since 2005.

Source May 2011 MOBILITY article entitled “Checking In On Mobility Services Procurement” by Frank Mauck

- Procurement involvement is most apparent in:
 - Acquisition Process (RFPs)
 - Frequency of formal bidding
 - Interaction of HR and Procurement during the sourcing process
 - Has resulted in better pricing, less subjective evaluations and more measurable SLAs



- SLAs have grown into one of the most well-known areas of supply chain performance management.



- Importance of Educating Procurement
 - Align HR goals and objectives with Procurement goals and objectives
 - Understand the balance between service and cost
 - not buying widgets!
 - Results in HR/Procurement collaboration to control costs, increase efficiencies and productivity
 - Develops strong supplier partnerships through ongoing procurement involvement long after RFP process ends

- Understand Your Business

- Analyze your policy!

Define KPIs and include them in your RFP. Easier to obtain when in RFP than after the fact or at contract time.

- *Word to Suppliers!* Don't underestimate the importance of SLAs in the RFP process – they really do matter!
- Less is better! Fewer specific SLAs to achieve business objectives are more effective. Too many increases management overhead to report and manage.



- Every SLA has a cost!
 - Analyze your policy and don't ask for more performance that you need. Could end up paying more than necessary.
 - 3 to 5 SLAs is the industry norm with no one SLA weighted more than 50%
 - Determine frequency of the SLA review period (track monthly – report quarterly or annually)



- Creating SLAs
 - SLAs were originally created to protect the buyer.
 - SLAs can be transactional or satisfaction based.
 - The foundation of an SLA is continuous improvement.

- SLAs should be
 - Are meant to reinforce performance
 - Should be easy to measure
 - Should be clear and understood by all parties

- SLAs should not be
 - Too hard
 - Too complicated
 - Viewed as a revenue stream!



- Philosophy is simple –
 - Plan
 - Measure
 - Assess
 - Adjust



- Key Contract Considerations
 - Virtually all agreements contain some SLAs
 - Used to optimize supplier performance.
 - Define and communicate expectations in the RFP and contract.
 - Include the ability to adjust SLAs as business needs change.
 - Provide feedback to suppliers and solicit feedback from your suppliers.
 - Be prepared for supplier to make demands on you too!

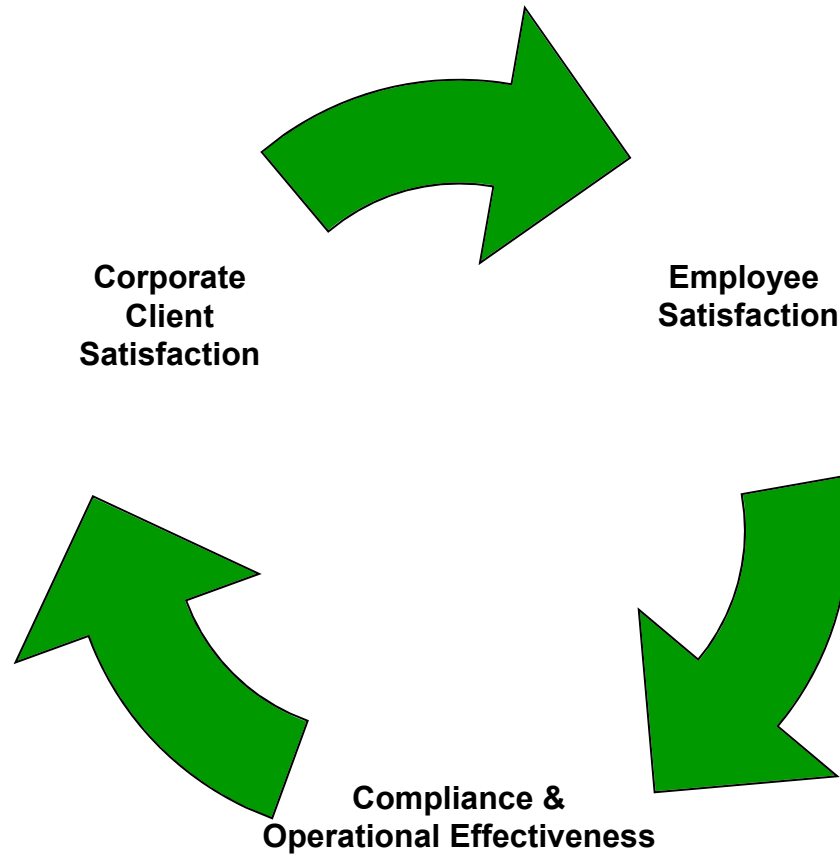


Successful SLAs – Corporate and their Supplier Partners

Presenter:

Tina Balmer, CRP, GMS

It's All About Results!



SLA Criteria



- Impactful
 - What specific results are you striving to achieve?
 - What activities will drive those results?
- Controllable/Manageable
 - The Service Partner is able to control or significantly impact the activities that drive results, including the activities of downstream suppliers.

SLA Criteria

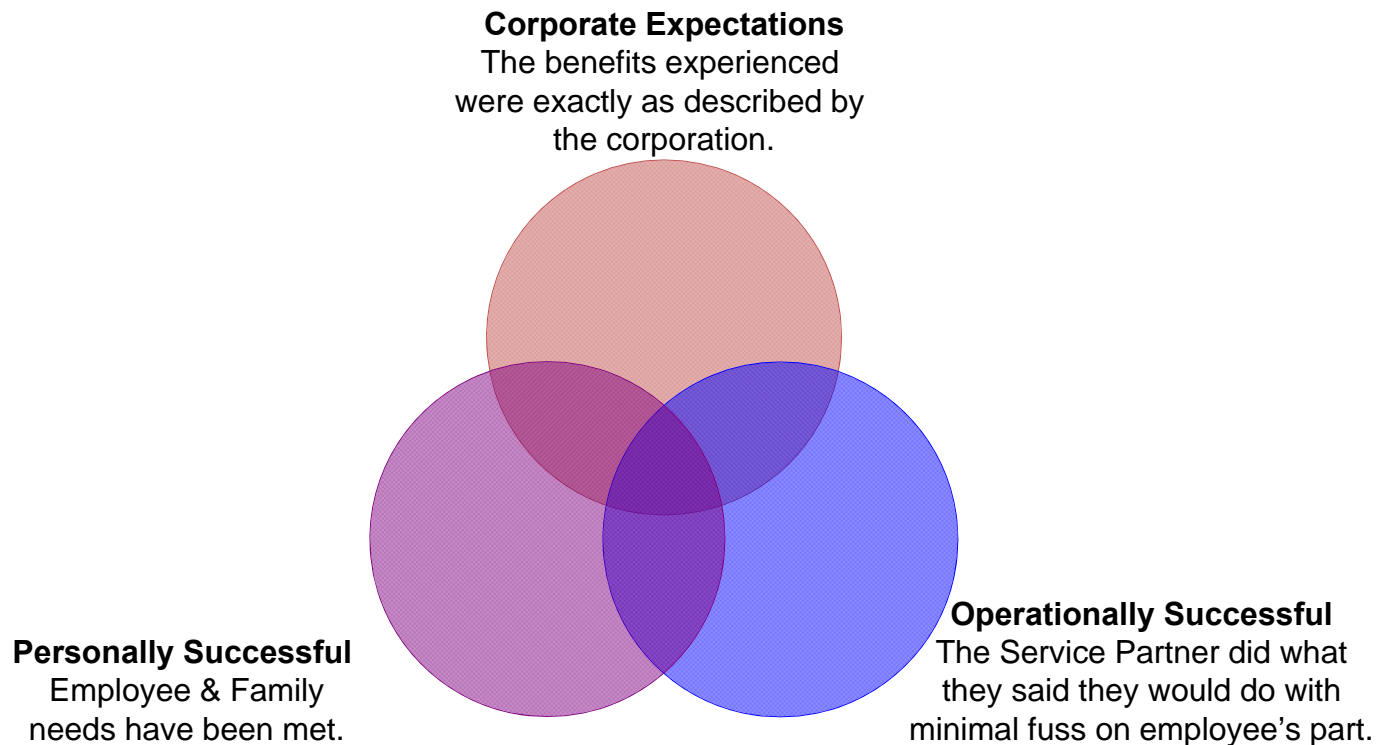
- Measureable
 - Corporate Requirements
 - Corporate Culture
 - Vendor Management Criteria
 - Historical Program Measurements
 - Service Partner Infrastructure
 - Operational - Do they have the ability to measure it?
 - Strategic - Are they capturing the same/similar metrics from their existing clients?
 - Industry Standards
 - Are there industry metrics that should/can be benchmarked against?

Typical KPI Categories

- Employee Satisfaction
- Client Satisfaction
- Cost Containment
- Compliance



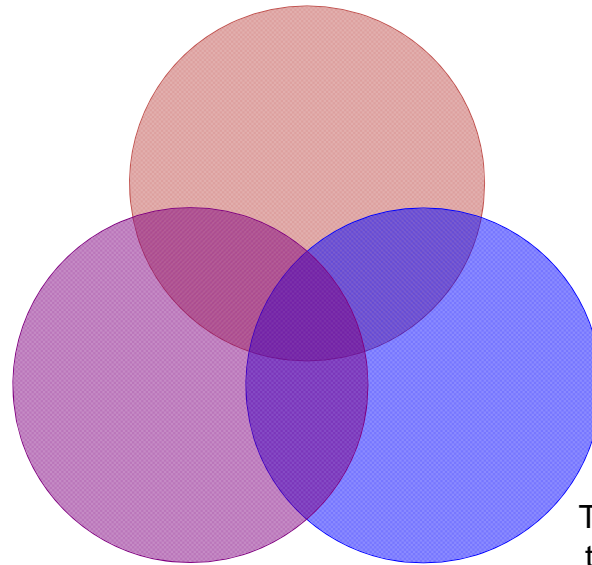
Employee Satisfaction



Client Satisfaction

Strategically Successful

The program facilitates the attraction, retention and development of talent



Cost Effective
Program Cost &
Quality are achieved
as designed

Operationally Successful
Compliant & Efficient
The Service Partner did what
they said they would do with
minimal fuss on the corporation's part.

Sample SLA Matrix

| | KEY PERFORMANCE INDICATORS | MEASUREMENT TOOL(S) | MEASUREMENT DESCRIPTION | WEIGHT | TARGET | NOTES |
|------------|---|--|--|--------|--------|--|
| 1.0 | SERVICE TO TRANSFEREE | | | | | |
| 1.1 | Transferee Satisfaction Survey Top Tier Score | Transferee Satisfaction Survey | % of Employees who rate Service Partner a __ - __. | | | Service Partner & Client agree to commit to continuous improvement by performing mutually agreed upon periodic recalibrations. |
| 1.2 | Transferee Satisfaction Survey Over All Favorable Score | Transferee Satisfaction Survey | % of Employees who rate Service Partner a __ - __. | | | Service Partner & Client agree to commit to continuous improvement by performing mutually agreed upon periodic recalibrations. |
| 1.3 | Transferee Satisfaction Survey Response Rate | Measured by number of survey responses received divided by the number of transferees who have completed their relocation | # of surveys received / by # of surveys sent | | | If survey response rates dip below __% Service Partner and Client will partner together to determine what changes can be made to the survey and/or the delivery of the survey in order to achieve a higher response rate while obtaining |
| 2.0 | SERVICE TO CLIENT | | | | | |
| 2.1 | Client Satisfaction Survey Overall Performance Score | Service Partner Survey, Invoices, Reports & Audits | Client rates supplier a __ - __. | | | It is agreed that numerous items would be captured within and reflected in the Client Survey report and may include feedback on, but would not be limited to: * Program Management * Cost Containment * Consultative Activities |
| 2.2 | Real Estate Management | Real Estate Score Card | To meet or exceed the goals on the Real Estate Score Card | | | Goals may be adjusted annually as mutually agreed upon by Client and Service Partner |
| 2.3 | Household Goods Management | Household Goods Score Card | To meet or exceed the goals on the Household Goods Score Card | | | Goals May be adjusted annually as mutually agreed upon by Client and Service Partner |
| 3.0 | REPORTING & INTERFACES | | | | | |
| 3.1 | Invoice & Supporting Document Accuracy | Client Relocation & Accounts Payable Dept. Review | total # of transactions - voids & adjusted transactions / total # of Transactions. | | | |
| 3.2 | Report Data Accuracy | Service Supplier Reports | # of incorrect data fields / by total data fields | | | |

Sample Service Credit Multiplier

| FREQUENCY OF FAILURES | MULTIPLIER |
|--|------------|
| One (1) failure, not preceded by a Service Level failure in previous measurement period. | 1.00 |
| Failure to meet the same Service Level in two (2) consecutive measurement periods. | 1.25 |
| Failure to meet the same Service Level in three (3) consecutive measurement periods. | 1.50 |
| Failure to meet the same Service Level in four (4) measurement periods over twelve (12) months | 2.00 |
| <i>Maximum Dollars at Risk per Quarter = \$__</i> | |
| <i>Maximum Dollars at Risk per Year = \$__</i> | |

Sample Real Estate Scorecard

| | REAL ESTATE KPI's | MEASUREMENT TOOL(S) | MEASUREMENT DESCRIPTION | WEIGHT | TARGET | NOTES |
|-------|---|----------------------|--|--------|--------|---|
| 2.2.1 | Accuracy of Appraisals: Homes sold within ___% (High or Low) of Appraised Price Offer (Combined Sales - Amended Value & Regular Sale) | Billings & Reports | Measured as the Difference between the Net Appraised Price Value (Appraised Price minus any withholdings for repairs/concessions) per final settlement statement with transferee and the Final Net Sales Price (Sales Price minus any withholdings for repairs/concessions) per the HUD-1 (Settlement Statement) with end buyer. | | | |
| 2.2.2 | Appraisal Cycle Time | Reports & File Notes | Measured as the time between when the employee picked their appraisers and the offer was ready to be released to the employee. | | | Delays caused by the employee are subtracted from the overall time frame. |
| 2.2.3 | Amended Value Ratio | Billings & Reports | Measured as percentage of successfully closed transferee generated sales against the total number of transferee homes eligible for home sale assistance. | | | For purposes of this measurement, employee generated sales within 95% of the Appraised Price Offer will be counted as an Amended Value Sale |
| 2.2.4 | Amended Sale Property Direct Costs | Billings & Reports | All costs related to the property described as a percentage of the Appraised Price | | | |
| 2.2.5 | Regular Sale Properties Direct Cost | Billings & Reports | All costs related to the property described as a percentage of the Appraised Price | | | |

Sample Household Goods Scorecard

| | HOUSEHOLD GOODS KPI's | MEASUREMENT TOOL(S) | MEASUREMENT DESCRIPTION | WEIGHT | TARGET | NOTE |
|-------|--|---------------------|---|--------|--------|------|
| 2.3.1 | On Time Pick-Up | Billings & Reports | Measured as the number of household goods shipments picked up on time as a percentage of all household goods moves billed during the measurement period. | | | |
| 2.3.2 | On Time Delivery | Billings & Reports | Measured as the number of household goods shipments delivered on time as a percentage of all household goods moves billed during the measurement period. | | | |
| 2.3.3 | Household Goods Claim Rate | Billings & Reports | Measured as the number of household goods with a claim filed and settled as a percentage of all household goods moves billed during the measurement period. | | | |
| 2.3.4 | Household Goods Average Days To Settle | Billings & Reports | Measured as the average number of days to settle for all household goods move where a claim was filed. | | | |
| 2.3.5 | Household Goods Average Claim Amount Settled | Billings & Reports | Measured as the average dollar amount of claims settled for all household goods with a claim. | | | |

Successful SLAs – RMC's and Supplier Partners

Presenter:

Chad Sterling, CRP, CPA

SLAs and Governance

- Successful outsourcing is built on a network of relationships, not transactions
- Outsourcing governance is the most important factor in determining the success of an outsourcing engagement

Cohen, Linda; Allie Young (2005). *Multisourcing: Moving Beyond Outsourcing to Achieve Growth And Agility*. [Harvard Business School Press](#).



SLAs - Introduction

- A negotiated agreement
- A compilation of Key Performance Indicators (KPIs).
- A supplement to help assess 'health of the relationship'
- Only an 'indicator'



Do you need an SLA?

- (+) Positive Benefits:
 - Defined Structure
 - Great line of sight
 - Communications tool
- (-) Downsides:
 - Requires compliance and/or contractual management
 - Not good in rapid change situations
 - Requires maintenance
 - Tends to be statistical based; law of averages can skew the picture



Do you need an SLA? (continued)

- SLA “Lite” Model
 - Select key service standards
 - Document associated metrics
 - Service provider provides results
 - Great for transitional periods
- Requires trust, corporate culture, transparency and visibility



What makes an effective Key Performance Indicator (KPI)?

- Simple, but meaningful
- Realistic
- Brief
- Singular



Example: Simple, but Meaningful

Example: Service Performance

- Good: Relocation evaluations should average 4.5 (of 5) on the Overall Service received from the RMC
- *Bad: Satisfactory or better performance on evaluations received*



Example: Realistic

- Example: Employee Contact
 - Good: Contractor should respond to 90% of employee inquiries within 2 business hours
 - *Bad: Contractor should respond to all employee inquiries within 1 business hour*



Example: Brief

- Good: 95% of Assignee reimbursements should be paid within 5 business days following the receipt of all documentation



- *Bad: The total number of payments processed within 5 business days from the receipt of all reimbursement information divided by the total number of payments processed should exceed 95% on a rolling 12-month average*

Example: Singular



- Performance Indicator: Invoicing Effectiveness
 - *Bad: Contractor should produce timely and accurate invoices 98% of the time*
 - Good: (a) Invoices should be received from Contractor on or before the agreed upon invoicing due date at least 98% of the time

Example: Singular (continued)

- Performance Indicator: Invoicing Effectiveness

Good: (b) Contractor should maintain a 97.5% invoicing accuracy rate during the measurement period.

- Recommendation: Define “accuracy” and “error”

RMC's perspective - How to track and measure results

- Situation: Your company has just been awarded a new client relationship. The new client's procurement department has requested an SLA be part of the services agreement.



RMC's perspective - How to track and measure results

- What to look at when creating a KPI:
 - RFP responses
 - Historical Information
 - Correlate results to key activities
 - Scale results
 - Incorporate lagging and leading indicators



Leading and Lagging Indicators

- A lagging indicator:
 - Post-Relocation Customer Satisfaction Survey
- A leading indicator:
 - Staff Turnover Rate



Leading and Lagging Indicators (Continued)

- Exercise: Which one is leading?
 - A. Appraisal Accuracy: Net Sales Price vs. Probable Sales Price
 - B. Total Inventory Costs



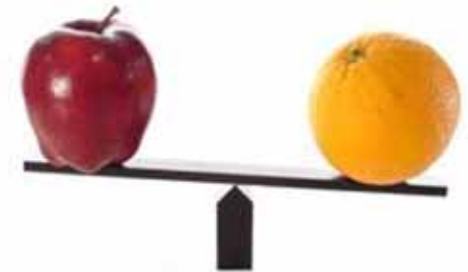
How to Differentiate between Policy Impact, Policy Adherence and Service Delivery Performance?

- Problem: You recently made the decision to change RMC's. During the first performance review, the new RMC's service performance is worse than the former RMC.
- Should you start looking for a new job?



How to Differentiate between Policy Impact, Policy Adherence and Service Delivery Performance?

- Performance analytics requires more than just metrics



– Sample Probing questions:

- Was your relocation benefit in line with your expectations?
- How did this relocation compare to prior relocations?
- Did your relocation counselor effectively explain your relocation plan?
- Do you see the value in outsourcing relocation?
- Rate the overall performance of your relocation management firm?

Negotiation, Documentation and Implementation

- An SLA should be documented
 - Do not cast in concrete
 - Change when conditions change
- Involve the right parties
- Allow both parties a ‘harmonization period’ after initial discussions



Negotiation, Documentation and Implementation

- Allow for an adjustment period and recalibrate, if necessary
- Improvement is relative
- Financial Consideration



How RMC's measure Supplier Performance

- Operational Performance:
 - A key focus, but not the only focus
- Measure results using more than Operational Tools
- Assess Strategic Value



How to Assess Strategic Value

- Is the relationship achieving our strategic goals?
- Our employee's perception
- How does the relationship influence our culture?
- Our Supplier's attitude



Reviewing Supplier Performance

- Appoint an SLA Czar
 - Knowledgeable
 - Strong interest in creating win-win relationships
 - Traits: Educator, negotiator, communicator, facilitator, conflict manager, detective, psychologist
- Require reporting
- Program review meeting attendees
- Deliverables
 - Root causes studies
 - action plans with tasks
 - Responsibilities/deadlines



Key Points to Remember

- SLAs
 - Are meant to reinforce performance.
 - Should be easy to measure.
 - Should be clear and understood by all parties.
- SLAs should not be:
 - Too hard.
 - Too complicated.
 - Viewed as a revenue stream!
- The foundation of an SLA is continuous improvement.

