

## Contract maturity

It used to be simple, contracts were signed with the client that had an initial period of twelve months and then ninety days notice of termination was required from either party. It used to be simple but maybe it was not the best method, for the business or the client. After the initial period the Service Provider had a security of tenure of only ninety days, should you invest in the contract with only ninety days guaranteed recovery of your investment? You want to buy spare parts with high capital cost but you only have a guaranteed revenue stream supporting the purchase for the next ninety days. Surely of benefit to both your business and the clients was to sign multi year contracts. You benefit from the security of knowing you can recover your investment over a longer period, your client benefits from your improved investment and is relieved of the tedious and time consuming task of renegotiation of the contract each year. The Outsourcing companies had set a precedent with multi year contracts, the market accepted these, time for you to take the proposition to your clients, after all you have had a good relationship with them for years and you can offer them a reduced cost as your investment risk is lessened. Win – win. Well perhaps not quite.



How often has it been said that you know you are providing good service when the contract is signed, put in the filing cabinet and never brought out to see the light of day again. Heaven forbid your relationship had gone so badly wrong that the client feels the need to unlock that filing cabinet and study the terms of the agreement they have signed up to.

Too often my Company, Lamberhurst, is called upon to resolve contract disputes. Of course it is not put that way, the client has not resorted to reading the terms of the contract, nor the service provider. No we are called in as an independent organisation by both User organisations and service providers to 'consider the service provision against the current market', to 'identify areas for service improvement', to 'provide an independent quality audit'.

All too often underlying these cries for help is the contract left lying gathering dust in the filing cabinet. As part of the contract document there is a Service Level Agreement (SLA), an agreement containing which services are to be provided at what times of day, on what equipment, and to what level. The service supplier prices his service provision against this SLA. Dutifully each month a services operations meeting is held and the supplier provides his statistics against the SLA. The client has purchased five new servers in the month and these are added to the supported equipment list as allowed for under the contract. Both parties are happy. But these servers are not file and print servers as they were many months ago when the contract and SLA were put in place, these are the client's e-business servers, supporting their e-business twenty four hours a day seven days a week three hundred and sixty five days a year. These servers carry their heaviest loading in the evenings and weekends not the nine to five that the file and print servers the SLA was based against.



This may be an extreme example, but it is all too true to say that during the lifetime of a multi year contract the client's business has changed and changed dramatically. That change however manifests itself as a creeping change. The requirements move slowly from business support to mission critical support and sitting behind the needs of this mission critical requirement is a contract written many months, sometimes years before. Our findings when called upon to look at these areas inevitably find nobody has stepped back from their day-to-day business and taken an overall look at the business needs. The client is too busy implementing their next e-business initiative; the service supplier is focused on providing service to the SLA and managing their costs. Yet the opportunity is there for both, the client to gain service that supports their business needs as they are today and for the supplier to gain incremental business and incremental margin. Only at contract renegotiation time does it appear

that the client looks back at what their business actually requires to support its developing IT environment, only at contract renegotiation does the supplier come forward with innovative and enhanced service deliverables. Today those fundamental considerations and negotiations only take place on a multi year basis, not with the frequency enjoyed (or suffered) in the past.

Today's operational review meeting must not be confined to meeting the SLA or even just improving upon the SLA, it must include a fundamental review of the clients' use of IT. The reliance upon IT creeps up on a business, change is slow but equally it is certain, failure to step back and consider that creeping change can leave many a User department fuming and a service provider out of pocket as elastoplasts are applied to difficult support situations.



Taking a step back from the day-to-day to review the business needs is fundamental to any lasting services relationship, if you cannot spare the time to see the 'wood from the trees' call in an outside organisation to do it for you. It is costing User organisations and suppliers considerable sums of money, the benefits of multi year contracts are more than lost on the failure to review the actual business needs. The SLA should be a dynamic document reflecting the changing business requirements, it is too easy just to add on assets to the current supported list under the current SLA, it may be easy but it is

probably not supporting the business needs. Service suppliers should be driving service provision innovation, it will benefit the client's business, and it will benefit the provider's business.

The results from the exercises we carry out to 'consider the service provision against the current market', to 'identify areas for service improvement', to 'provide an independent quality audit', almost certainly result in a rewritten SLA to match the business needs and suggested ways to maintain the SLA. The contract may be left to gather dust in the filing cabinet, after all it is just a collection of legal terms, the SLA is the dynamic document that needs to reflect the business requirements and be the defining point for the relationship.