

# Offshore Outsourcing - Service Levels (Part 11)

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An outsourcing is successful when not only on the quality of the work product but on how efficiently it has been performed. Service levels provide you the metrics:

- To determine the quality of the service
- To determine the maturity of the process
- To justify further investments by either side
- To “govern” the relationship

There are three types of Service Levels to consider

- Financial
  - Cost Effectiveness
  - Productivity
  - Return on Investment
  - Asset Revenue generating efficiency or capacity utilization
- Performance
  - Technical Performance
  - Process Performance
    - Defect injection/detection efficiency
    - Defects per page or line of code
    - Function points per person moth
    - Defects per person hour
  - Attrition Rate
- Operational
  - Network down time
  - Equipment Downtime
  - Time from requisition to receipt of equipment
  - Evaluation and Approval of deliverables
  - Customer Satisfaction

Service levels should be an integral part of the Contract. Performance levels should be defined as **MINIMUM EXPECTED** **EXPECTED** **EXCEEDED**. The OSP service level should perform at these levels. The actual achievement should be the OSP’s scorecard in determining how the relationship moves forward.

The Company and the OSP should agree at a Service level that may not be achievable at the starting point of the relationship. Once the service level has been reached the two companies should sit down to revise service levels preferably every 6-9 months. Service levels help is managing the work in progress and makes both sides committed and accountable for success. It also provides mechanisms for rewards/incentives or sanctions.

The Company should make a determination to the Service level that needs to be monitored and measured. These should be categorized (Financial, Performance, Operational) and prioritized (Critical, Needed, Desired). “Critical” service levels should be reviewed frequently, needed once a while whereas “desired” by exception.

The Company should use automated tools as far as possible and encourage the OSP to collect as much data as possible to capture all metrics. This will help the Company and the OSP to analyze trends. There should be larger focus on process improvement and enhancing the process maturity. This will lead to productivity gains.

The captured metrics should be critically analyzed and translated to return on investment and “value to business”. At all times analyze how these levels can be improved. The results should be discussed with the Steering Committee.

In the event of Service level failure analyze the cause of failure. Is it:

- Process (either side)
- Technical
- Operational
- Company
- Manpower

Analyze if the failure persists. Work with the OSP to mitigate the cause of failure and plan remediation. In the event the failure persists be prepared to micro manage. If the situation improves “handover” the process back to the OSP - if not consider other options.