# Outsourcing Best Practices Step-By-Step Guide

## on How to Manage the Changes, Challenges, Opportunities and Implement a Successful Outsourcing Process


The Art of Service

# Outsourcing

# Workbook

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# 1 INTRODUCTION ROADMAP

This workbook focuses on key issues and important topics in the acquisition and management of Information Technology (IT).
It outlines the general processes involved in Outsourcing.
It contains templates to control the problems involved in implementing outsourcing as well as securing the positive results of outsourcing efforts. Most importantly, it will give the IT manager an understanding of the important issues to be addressed when making the outsourcing decisions, as well as the factors to be considered in successfully implementing an outsourcing strategy.

Help desk services are a critical component in most IT infrastructure outsourcing deals. Balancing the customer's desired service levels while managing costs has been challenging for outsourcers. This Workbook offers outsourcing clients a unique solution to this challenge.

The workbook is your reality checklist for finding the right balance between Cost, Capacity and Resources.
This document describes the Outsourcing requirements for Service Strategy, Service Design and Service Operation (via the Service Desk function) based on the ITIL Version 3 framework.

Presentations can be used to educate or be used as the basis for management presentations or when making business cases for Outsourcing in general or specifically when Outsourcing the Service Desk.

The additional information will enable you to improve your organizations knowledge base and provide practical, usable examples and templates for you to use when making the decision on outsourcing.

The workbook serves to act as a starting point. It will give you a clear path to travel. It is designed to be a valuable source of information and activity.

The Outsourcing Workbook:

- Flows logically,
- Is scalable,
- Provides presentations, templates and documents,
- Saves you time.

## Step 1

Start by reviewing the PowerPoint presentations in the following order:

1. Outsourcing - Sourcing Strategy Presentation

2. Outsourcing - Service Desk Presentation ITIL Version 3

These presentations will give you a good knowledge and understanding of all the terms, activities and concepts required for Outsourcing and, in particular, Outsourcing the Service Desk function. They can also be used as the basis for management presentations or when making a formal business case for Outsourcing in general or specifically Outsourcing a Service Desk. Make sure you pay close attention to the notes pages, as well as the slides, as references to further documents and resources are highlighted here.

**Step 2**

If you did not look at the supporting documents and resources when prompted during the PowerPoint presentations, do this now.

Below is an itemized list of the supporting documents and resources for easy reference. You can use these documents and resources within your own organization or as a template to help you in preparing your own bespoke documentation.

- **Outsourcing - Sourcing Strategy Presentation**
- **Service Sourcing Structures**
- **Sourcing Roles and Responsibilities**
- **Outsourcing - Service Desk Presentation ITIL V3:**
- **Service Desk Roles and Responsibilities**
- **Service Desk Technology**
- **Example Outsourcing Contract Template**
- **Service Delivery Model Options**
- **Service Desk Metrics**
- **Outsourcing - Service Levels**

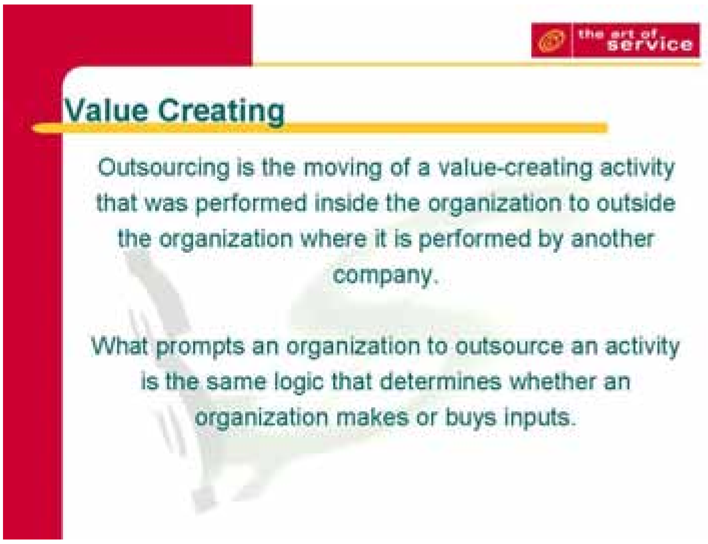
**Step 2 continued...**

Alternatively, you can continue by working through the additional documents:

- **Outsourcing Transition Plan**
- **Service Desk Outsourcing Template**

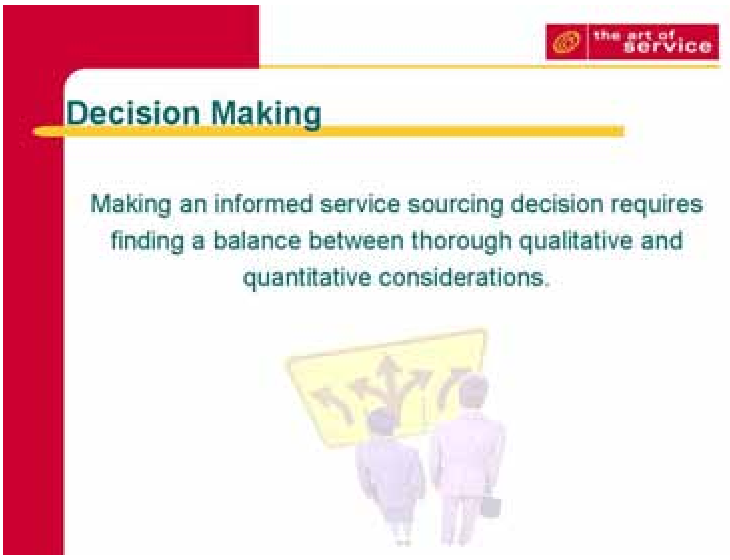
This time; with the focus on your organization. This will help you ascertain the Outsourcing maturity for your organization. You will able to identify gaps and areas of attention and/or improvement.
The supporting documents and resources found within this workbook will help you fill these gaps by giving you a focused, practical and user-friendly approach to Outsourcing, with particular focus on your Service Desk.

## 2 OUTSOURCING – SOURCING STRATEGY




Namely, does the extra value generated from performing an activity inside the organization outweigh the costs of managing it? This decision can change over time.

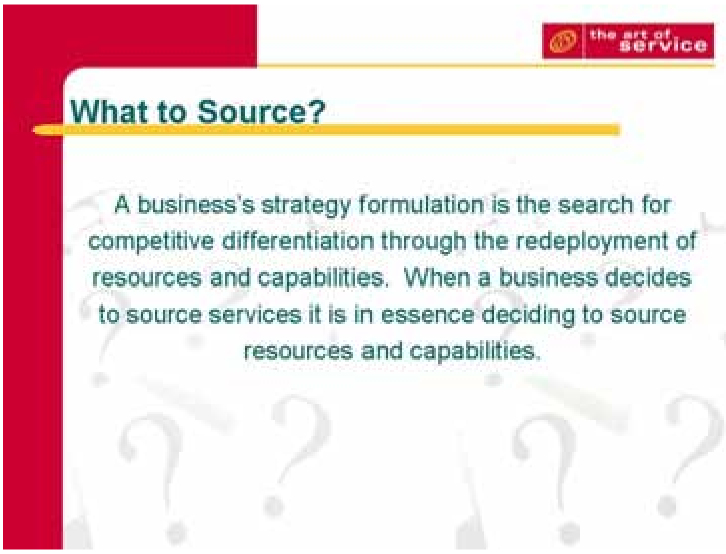
A service strategy should enhance an organization's special strengths and core competencies. Each component should reinforce the other. Change any one and you have a different model. As organizations seek to improve their performance, they should consider which competencies are essential and know when to extend their capabilities by partnering in areas both inside and outside their enterprise.




Historically, the financial business case is the primary basis for most sourcing decisions. These analyses include pure cost savings, lower capital investments, investment redirections and long term cost containment.

Unfortunately, most financial analyses do not include all the costs related to sourcing, leading to difficult sourcing relationships with unexpected cost and service issues.

If costs are a primary driver for a sourcing decision, include financials for service transition, relationship management, legal support, incentives, training, tools licensing implications and process rationalization, among others.




If candidates are only peripherally related to the business's strategic themes and are available in competitive markets then they should be considered.

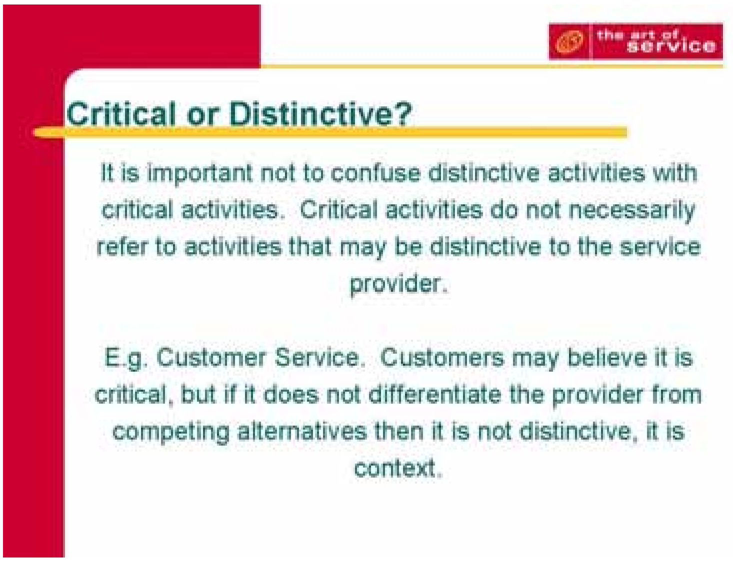
Once candidates for sourcing are identified, the following questions are intended to clarify matters:

- Do the candidate services improve the business's resource and capabilities?
- How closely are the candidate services connected to the business's competitive and strategic resources and capabilities?
- Do the candidate services require extensive interactions between the service providers and the business's competitive and strategic resources and capabilities?
- If the responses uncover minimal dependencies and infrequent interactions between the sourced services and the business's competitive and strategic positioning, then the candidates are strong contenders.


**Substitution** – 'Why do I need the service provider when its supplier can offer the same services?' The sourced vendor develops competing capabilities and replaces the sourcing organization.

**Disruption** – The sourced vendor has a direct impact on quality or reputation of the sourcing organization.

**Distinctiveness** – The sourced vendor is the source of distinctiveness for the sourcing organization. The sourcing organization then becomes particularly dependent on the continued development and success of the second organization.



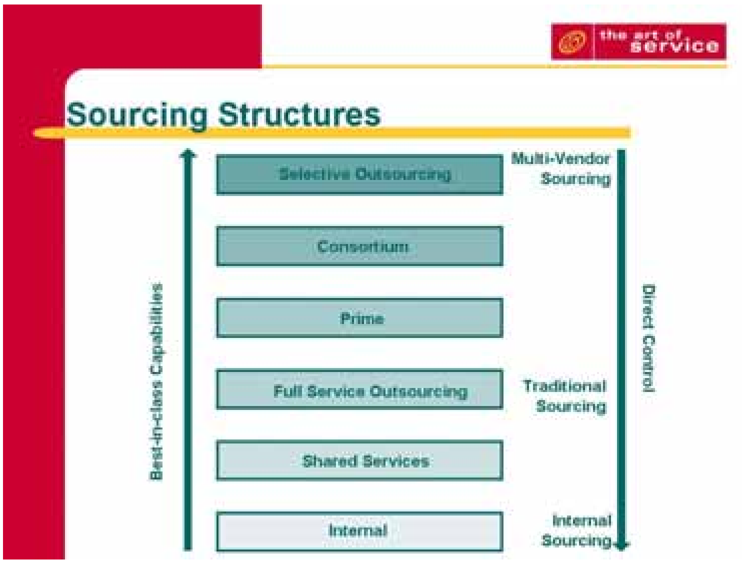

This does not mean critical activities are not important. Contextual activities are not of secondary importance.

It means they do not provide the differentiating benefit that generates value. One service provider's context may be another's distinctiveness. What is distinctive today may overtime become context.

Contextual processes may be recombined into distinctive processes. The following questions will help in testing:

- Does the customer or market space expect the service provider to do this activity? (context)

- Does the customer or market space give the service provider credit for performing this activity exceptionally well? (Distinctiveness).

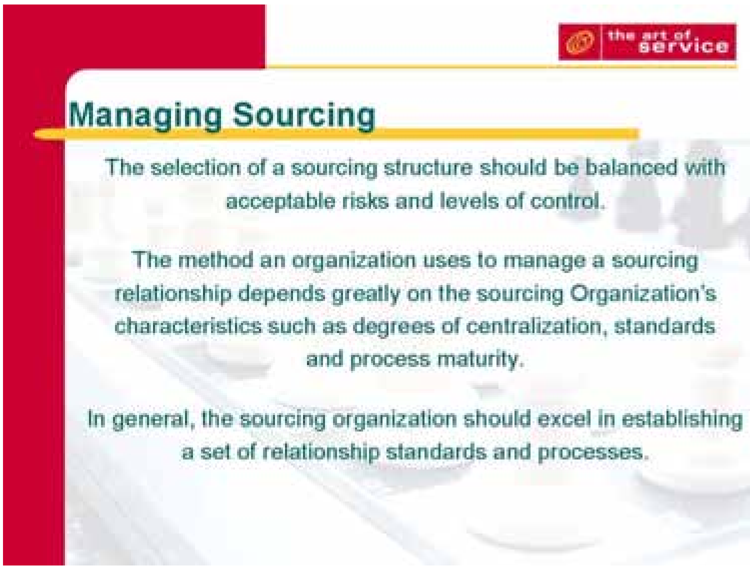



The dynamics of service sourcing require businesses to formally address provisions for a sourcing strategy, the structure and roles of the retained organization, and the impacted decision rights process.

When sourcing services, the enterprise retains the responsibility for the adequacy of services delivered. Therefore, the enterprise retains key overall responsibility for governance.

The enterprise should adopt a formal governance approach in order to create a working model for managing its outsourced services as well as the assurance of value delivery. This includes planning for the organizational change precipitated by the sourcing strategy and a formal and verifiable description as to how decisions on services are made.

**The diagram above describes the generic forms of service sourcing structures. You can find more detailed information on Service Sourcing Structures, in a separate document available within this workbook.**




Other key responsibilities are to:

- Monitor the performance of the agreements and the overall relationship with providers.
- Manage the sourcing agreements.
- Provide an escalation level for issues and problems.
- Ensure prioritization for providers.

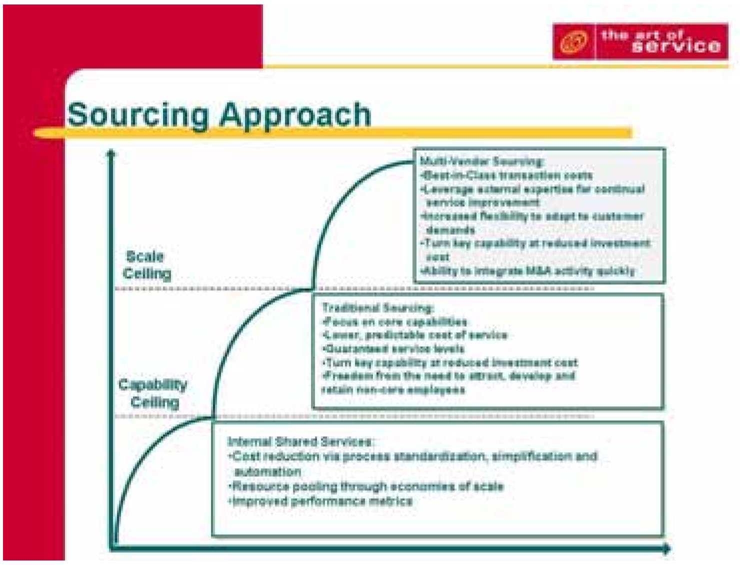

This affords the opportunity to remove redundancies and ambiguities, and chokepoints and dysfunctions prior to creating workflows.


When sourcing multiple providers, the following issues should be carefully evaluated:

- Technical complexity: sourcing is useful for standardized service processes. Be mindful that as customization increases it is more difficult to achieve the desired efficiencies.

- Organizational interdependencies: contractual vehicles should be carefully structured to the dynamics of multiple organizations. Incentives, training and other tangibles can have significant long-term effects.

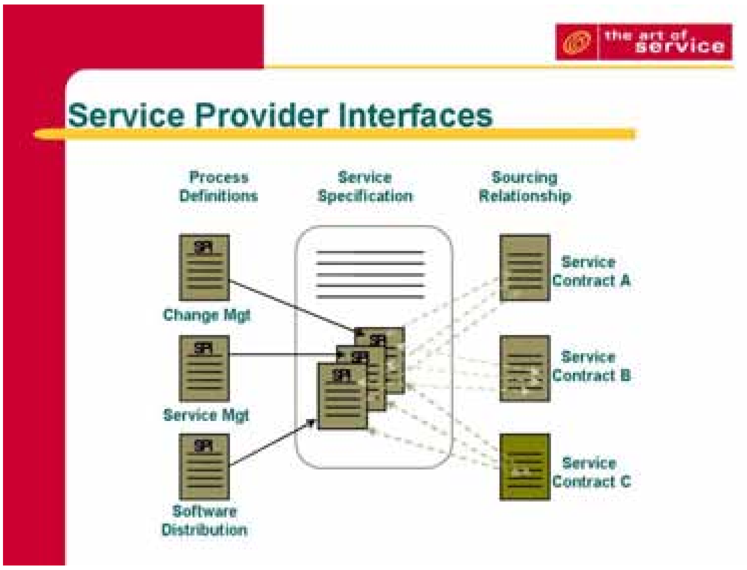
- Integration planning: carefully consider the need for integration planning and solutions. This can take the form of standardized reporting and service reporting, or installed technology and protocols that integrate tools and data.




There are multiple approaches and varying degrees in sourcing. How far up an organization is willing to go with sourcing depends on the business objectives to be achieved and constraints to overcome, as the diagram above demonstrates. Regardless of the sourcing approach, senior executives must carefully evaluate provider attributes.

The following is a useful checklist:

- Demonstrated competencies: in terms of staff, use of technologies, innovation, industry experience and certifications (ISO/IEC 20000)
- Track record: in terms of service quality attained, financial value created and demonstrated commitment to continual improvement.
- Relationship dynamics: in terms of vision and strategy, the cultural fir, relative size of contract in their portfolio and quality of relationship management.
- Quality of solutions: relevance of services to your requirements, risk management and performance benchmarks.
- Overall capabilities: in terms of financial strength, resources, management systems, and scope and range of services.




To support development of sourcing relationships in a multi-vendor environment, guidelines and reference points (technical, procedural, organizational) are needed between the various service providers.

These reference points can be provided thought the use of Service Provider Interfaces (SPI).


Responsibilities and service levels are negotiated at the time of service relationship contracting, and include:

- Identification of integration points between various management processes of the client and service provider.
- Identification of specific roles and responsibilities for managing the ongoing systems management relationship with both parties.
- Identification of relevant systems management information that needs to be communicated to the customer on an ongoing basis.

Process SPI definitions consist of:

- Technology prerequisites (e.g. management tool standards or prescribed protocols).
- Data requirements (e.g. specific events or records), formats (i.e. data layouts), interfaces (e.g. API's, firewall ports) and protocols (e.g. SNMP, XML)
- Non – negotiable requirements (e.g. practices, activities, operating procedures)
- Required roles/responsibilities within the service provider and customer organizations
- Response times and escalations.
- SPI's are defined, maintained and owned by process owners.


Management and governance are different disciplines. Managing deals with making decisions and executing processes.

Governance only deals with making sound decisions. It is the framework of decision rights that encourage desired behaviors in the sourcing and the sourced organization.

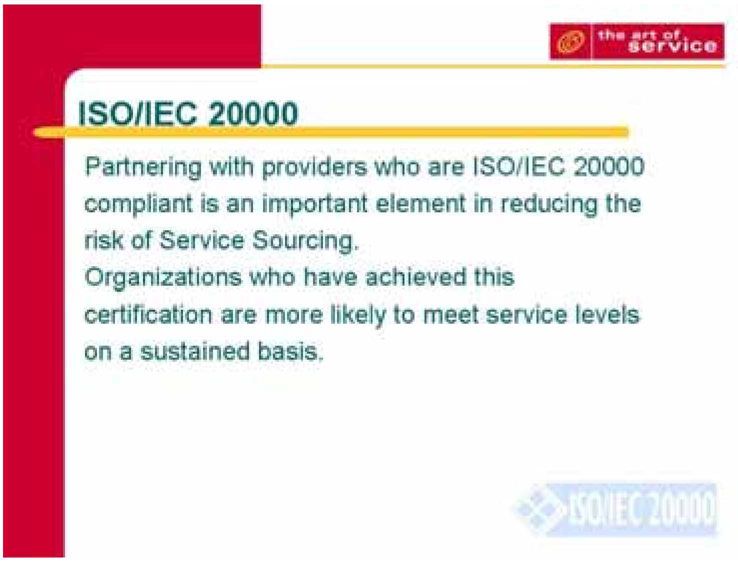
When companies confuse management and governance, they inevitably focus on execution at the expense of strategic decision making. Both are vitally important. Further complicating matters is the requirement of sharing decision rights with the service providers.

When a company places itself in a position to make operational decisions on behalf of an outsourcer, the outcomes are inevitably poor service levels and contentious relationship management.


- A governance body: by a performing a manageably sized governance body with a clear understanding of the Service Sourcing strategy, decisions can be made without escalating to the highest levels of senior management. By including representation from each service provider, stronger decisions can be made.

- Governance domains: Domains can cover decision making for a specific area of the Service Sourcing strategy. Domains can cover e.g. Service Delivery, Communication, Sourcing Strategy or Contract Management. Remember, a governance domain does not include the responsibility for its execution, only its strategic decision making.

- Creation of a decision-rights matrix. This ties all three recommendations together. RACI and RASIC charts are common forms of a decision-rights matrix.




This credential is particularly important in multi –sourced environments where a common framework promotes better integration. Multi-sourced environments require common language, integrated processes and a management structure between internal and external providers.

ISO/IEC 20000 does not provide all of this but it provides a foundation on which it can be built.

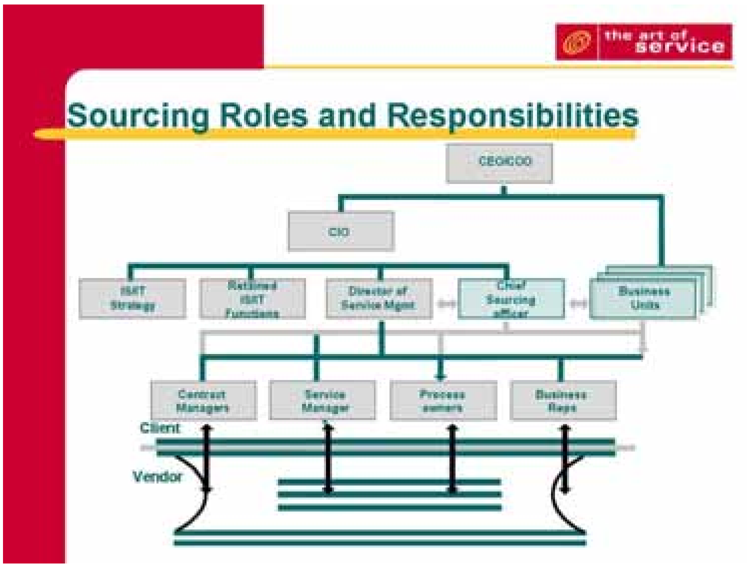

The recommended approach to deciding on a strategy includes:

- Analyze the organization's internal service management competencies.
- Compare those findings with industry benchmarks
- Assess the organization's ability to deliver strategic value.

Prior to implementation, an organization should establish and maintain a baseline of its performance metrics. Without, such metrics, it will be difficult to assess the true impact and trends of a service sourcing implementation.

Measurements can take two forms:

- Business metrics – financial savings, service level improvements, business process efficiency
- Customer metrics – availability and consistency of services, increased offerings, quality of service.




A key role to champion the sourcing strategy and lead and direct the sourcing office capabilities id the Chief Sourcing Officer, as demonstrated in the diagram above.

The Chief Sourcing Officer:

- Champions the sourcing strategy and the sourcing office
- Works closely with the CIO to develop a sourcing strategy that will deter=mine which roles and responsibilities are best assumed by internal personnel and in which areas external resources should be deployed; sets guiding principles for governance.

- Coordinates and rallies a mix of external and internal people towards goals through an ‘empowerment and trust‘style, rather that than the command and control hierarchical structure used with internal resources.

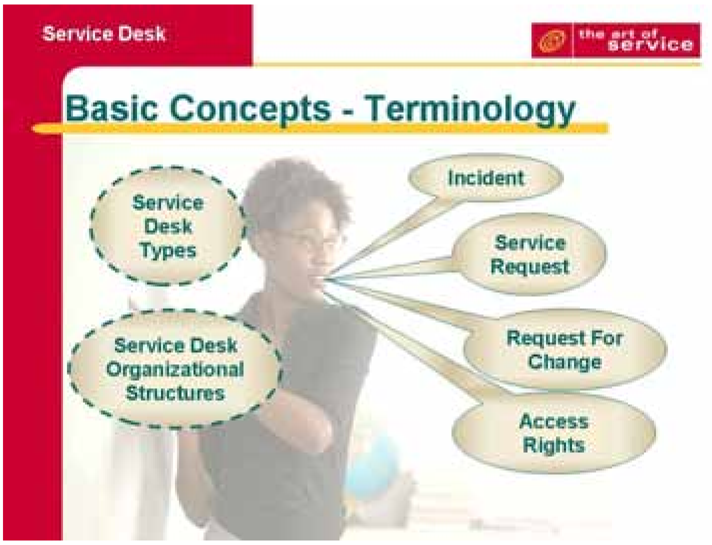
- Is an integrator, coordinator, communicator, leader, coach: creates a shared identity among external and internal sources so that team members identify themselves first and foremost with the initiative at hand?

- Has the ability to interact at the executive level, and to inspire and lead at the delivery level.

**Other key roles should be clearly defined for coordinating activities across multiple service providers, detailed information on Sourcing Roles and Responsibilities can be found in a separate document available within this workbook.**

# 3 OUTSOURCING - SERVICE DESK


***GOAL:*** To support the agreed IT service provision by ensuring the accessibility and availability of the IT-organization and by performing various supporting activities.




**Service Desk Types:** Relates to the **skill level** and resolution rate for service calls.

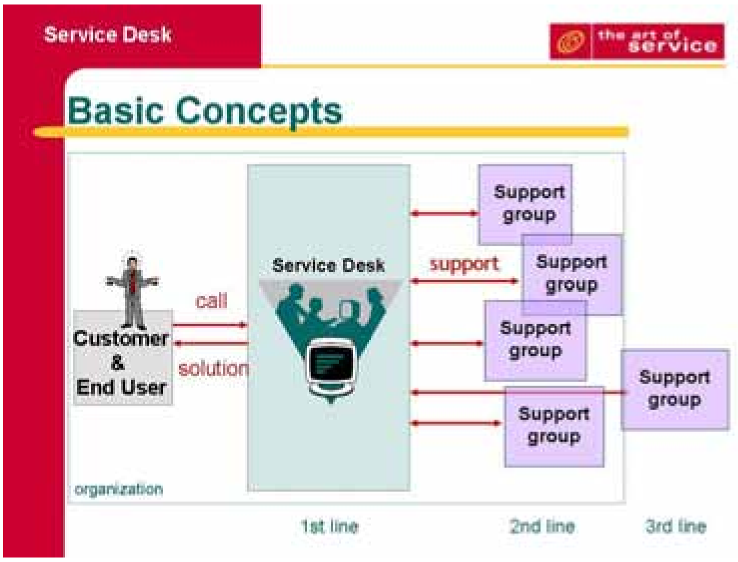
**Service Desk Organizational Structure:** Relates to the physical organization of the service desk

**Incident:** Any event which is not part of the standard operation of a service and which causes, or may cause an interruption to, or a reduction in the quality of that service. A failure of a CI that has not yet affected service is also classified as an incident.

**Service Request:** *Request for information* or *status of a service* (not related to loss of service) *Includes Standard Changes*. Eg. Contact details, Service availability, request for common software.

**Request for Change:** Request to Move, Add, Change (MAC)
Eg. Asking for changes to functionality of applications or supporting infrastructure.

**Access Rights:** User or user groups permission rights to use a service, and the prevention of access to non-authorized users. Effectively the execution of both Availability and Information Security management, in that is enabling the organisation to manage ***CIA*** of the organization's data and intellectual property.



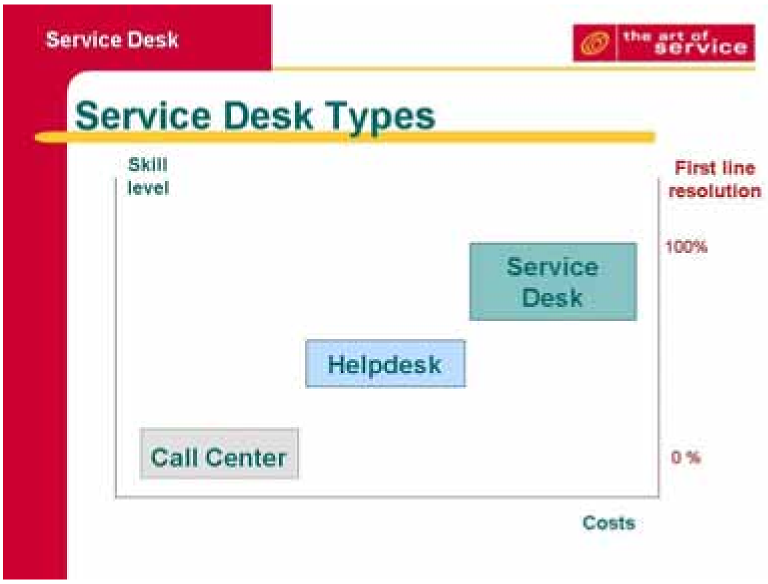

The main Service Desk role is providing a single point of contact (SPOC) for users.

QUESTION:

Why do you want to avoid users calling the various support groups?

- To minimize/avoid users calling support groups directly
- Control of call end-end
- Consistency of service
- More (cost) effective use of IT staff


**A more detailed description of the Service Desk Roles and Responsibilities can be found in a separate document within this workbook.**

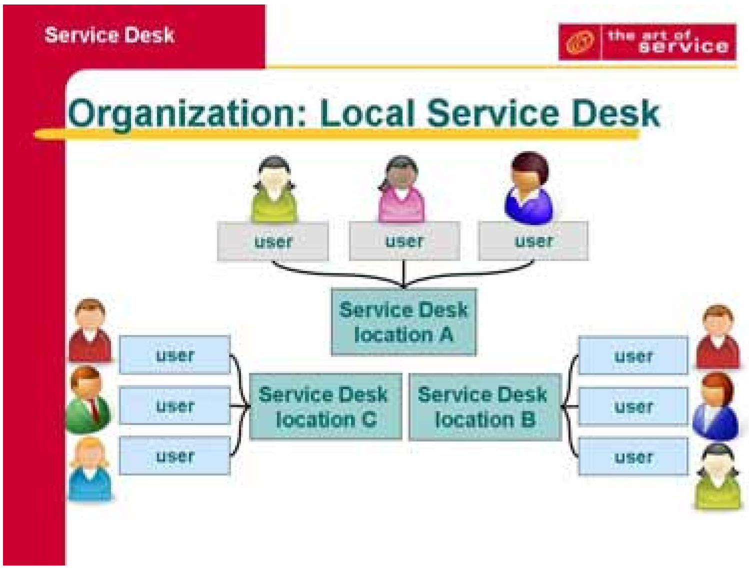



**The 3 types of Service Desks are:**

**Call Centre:** ***Handling/logging*** of large volumes of calls,

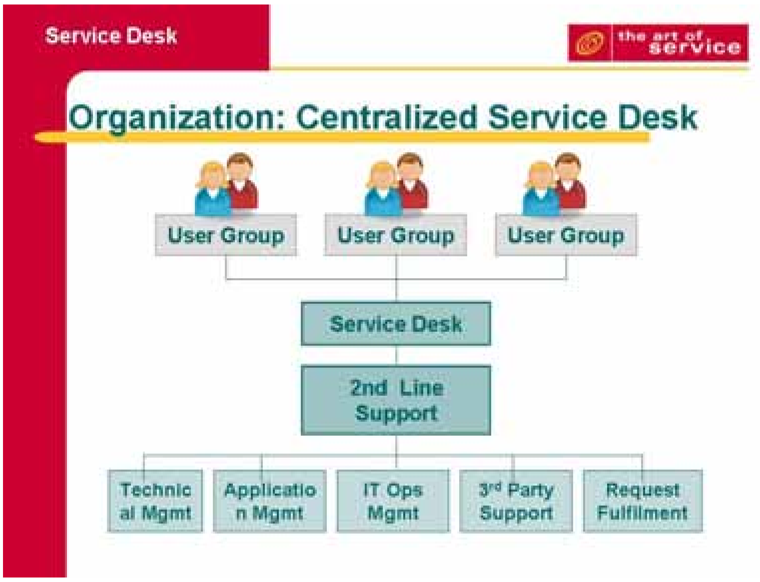
**Help Desk:** Manage and ***co-ordinate*** incidents,

**Service Desk:** A wide variety of services offered,



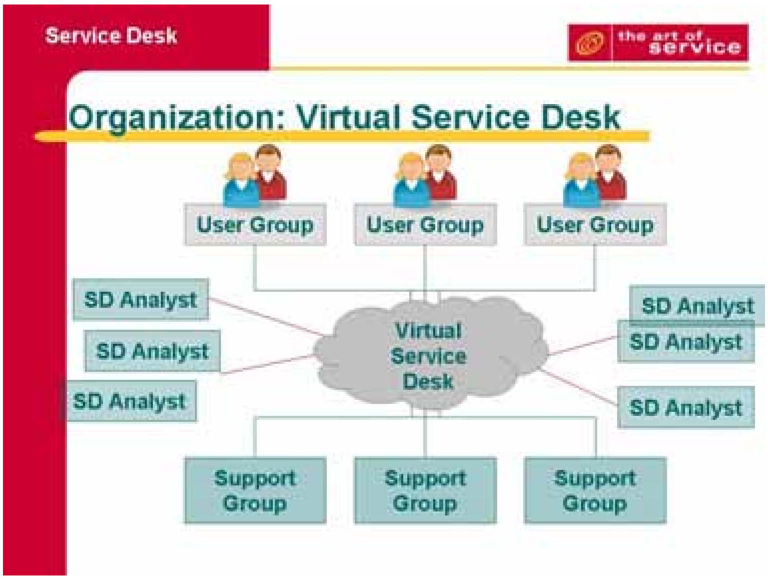

**Benefits of this structure:**
Local user knowledge, language/country specific etc

**Disadvantages of this structure:**
Costs of running multiple service desks, inconsistency of service, reporting, lack of knowledge and skill sharing etc



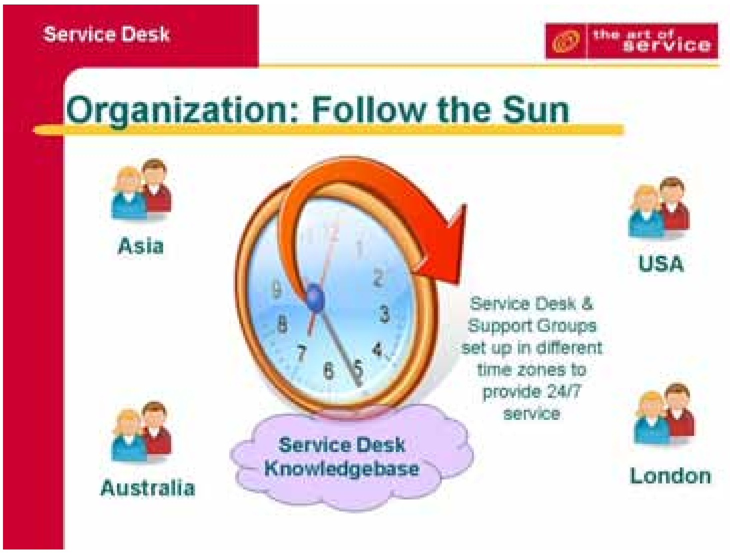

**Benefits of this structure:**
Reduced operational costs, improved usage of available resources, Consistency of call handling.

**Disadvantages of this structure:**
Costs of handling 24x7 or different time zones, lack of local knowledge, possible gaps in language and culture.




**Benefits of this structure:**
Global organizations, 24x7 supports, reduced operational costs, improved usage of available resources.

**Disadvantages of this structure**:
Cost of implementation (technology), consistency of service, reporting, skill sharing.

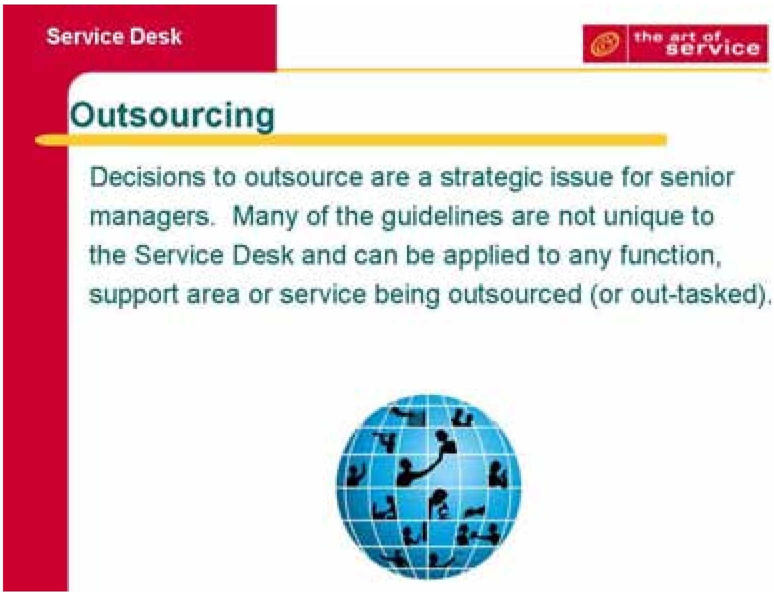



**Benefits of this structure:**
Consistent service, ability to handle multiple time zones and language.

**Disadvantages of this structure:**
Cost of technology, using single language for multiple regions.


Many organizations find it beneficial to offer "Self Help" capabilities to their users. The technology should therefore support this capability with some form of web front-end allowing web pages to be defined offering a menu-driven range of self help and service requests – with a direct interface into the back-end process-handling software.

**You can find more information on Service Desk Technology in a separate document within this workbook.**



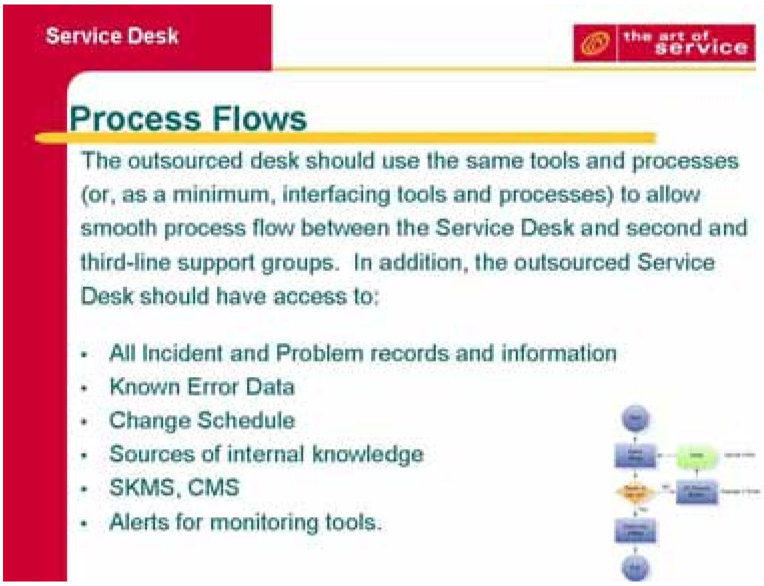

Regardless of the reasons for, or the extent of, the outsourcing contract, it is vital that the organization retains responsibility for the activities and services provided by the Service Desk.

The organization is ultimately responsible for the outcomes of the decision and must therefore determine what service the outsourcer provides, not the other way around.

**An example of an Outsourcing Contract Template and Service Delivery Model Options can be found within this workbook.**


There are some safeguards that are needed to ensure that the outsourced Service Desk works effectively and efficiently with the organization's other IT teams and departments and that end-to end Service Management control is maintained (particularly important if seeking ISO/IEC 20000 certification).

Tools are consistent with those used in the customer organization. Outsourcing is often seen as an opportunity to replace outdated or inadequate tools, only to find that there are severe integration problems between the new tool and the legacy tools and processes.

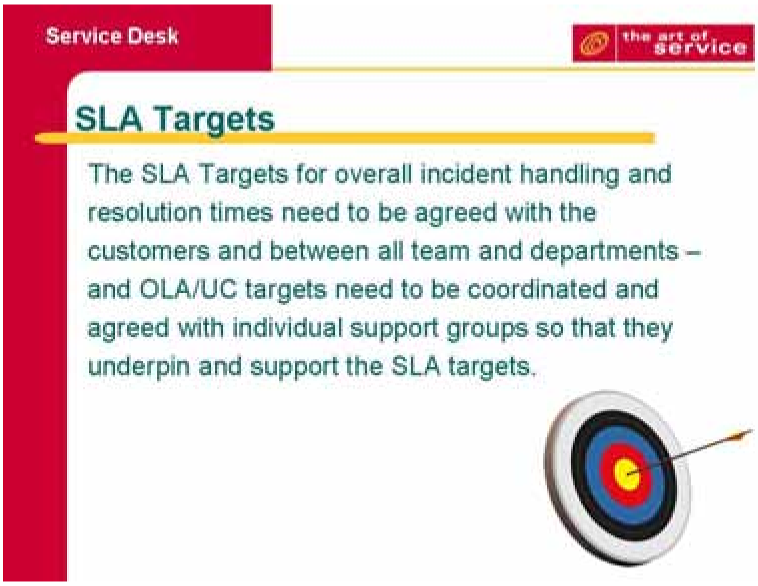



It is often a challenge integrating processes and tools in a less mature organization with those in a more mature organization.

A common but incorrect assumption is that the maturity of the one organization will somehow result in higher maturity in the other.

Active involvement to ensure alignment of processes and tools is essential to a smooth transition and ongoing management of services between the internal and external organizations.

In fact, if this is not directly addressed, it could result in the failure of the contract.




**Further examples of SLA targets can be found in the Service Desk Metrics document and the Outsourcing – Service Levels document, available within this workbook.**


In cases where the Service Desk is located off-shore, not all of these measures will be possible.

However, the need for training and communication of the Service Desk staff is still critical, even more so in cases where there are language and cultural differences.


- Training programs focused on cultural understanding of the customer market

- Language skills – especially the understanding of idiomatic use of the language in the customer market. This is not so that the Service Desk staff sound like naives of the customer's country (that type of insincerity is very quickly detected by customers), but to facilitate better understanding of the customer and the better to appreciate their priorities.

- Regular visits by representatives of the customer organization to provide training and appropriate feedback directly to the Service Desk Manager.

- Training in the use of the customer organization tools and methods of work. This is especially effective if similar training materials are presented by the same instructors as those used by the customer organization.


Data that is related specifically to performance of employees of the outsourcing company will remain the property of that company, which is often legally prevented from sharing the data with the customer organization.

This may also be true of other data that is used purely for the internal management of the Service Desk, such as head count, optimization activities, Service Desk cost information etc.

All reporting requirements and issues around ownership of data must be specified in the underpinning contract with the company providing the outsourcing service.

## 4 SUPPORTING DOCUMENTS

**Through the documents, look for text surrounded by << and >> these are indicators for you to create some specific text.**

**Watch also for highlighted text which provides further guidance and instructions.**

## 4.1 SERVICE SOURCING STRUCTURES

| Sourcing Structure | Description |
|---|---|
| Internal (Type1) | The provision and delivery of services by internal staff. Does not typically include standardization of service delivery across business units.<br><br>Provides the most control but also the most limited in terms of scale. |
| Shared Services (Type 2) | An internal business unit. Typically operates its profit and loss, and a chargeback mechanism. If cost recovery is not used, then it is Internal not Shared Services.<br><br>Lower costs than Internal with a similar degree of control. Improved standardization but limited in terms of scale. |
| Full Service Outsourcing | A single contract with a single service provider. Typically involves significant asset transfer.<br><br>Provides improved scale but limited in terms of best-in-class capabilities. Delivery risks are higher than Prime, Consortium or Selective Outsourcing as switching to an alternative is difficult. |
| Prime | A single contract with a single service provider who manages service delivery but engages multiple providers to do so. The contract stipulates that the prime vendor will leverage the capabilities or other best-in-class service providers.<br><br>Capabilities and risk are improved from Single-Vendor Outsourcing but complexity is increased. |
| Consortium | A collection of service providers explicitly selected by the service recipient. All providers |

| | |
|---|---|
| | are required to come together and present a unified management interface.<br><br>Fulfils a need that cannot be satisfied by any Single-Vendor Outsourcer. Provides best-in-class capabilities with greater control than Prime. Risk is introduced in the form of providers forced to collaborate with competitors. |
| Selective Outsourcing | A collection of service providers explicitly selected and managed by the service recipient.<br><br>This is the most difficult structure to manage. The service recipient is the service integrator, responsible for gaps or cross-provider disputes.<br><br>The term Co-Sourcing refers to a special case of Selective Outsourcing. In this variant, the service recipient maintains and Internal or Shared Services structure and combines it with external providers. The service recipient is the service integrator. |

## 4.2 SOURCING ROLES AND RESPONSIBILITIES

| Role | Description | Key Competencies |
|---|---|---|
| Director of service management | Senior executive who understands the business and defines, plan, purchases and manages all aspects of service delivery on behalf of business units | Authority and seniority to prioritize and define services for business units<br><br>Large-scale service and operations management<br><br>Financial and commercial management<br><br>Governance, negotiation and Contract Management |
| Contract manager | Constructs, negotiates, monitors and manages the legal and commercial contract on behalf of the sourcing organization | Contract Management for large scale service provision<br><br>Negotiation and conflict resolution<br><br>Service definition and management<br><br>Translation of business into contractual requirements |
| Product manager | Defines, plans, purchases and manages sourced elements of the service and performance on behalf of sourcing organization | Authority and seniority to prioritize and define sourcing needs for specific elements of the service |

| | | |
|---|---|---|
| Process owner | Interface with business users and functions to review, define and authorize current and future process models. Aim to identify and standardize best practices | Capability and process definition<br><br>Process mapping<br><br>Service monitoring<br><br>Managing user forums e.g. Joint Application Development, Conference Room Pilot<br><br>Best practice identification, capture and rollout |
| Business representatives | Primary service recipient on behalf of each business unit who define business requirements, monitor service, raise service requests and own budgets | Knowledge of specific business functions<br><br>Requirements gathering, definition and prioritization<br><br>Service monitoring<br><br>Managing use forums |

## 4.3 SERVICE DESK ROLES AND RESPONSIBILITIES

The key to effective ITSM is ensuring that there is clear accountability and roles defined to carry out the practice of Service Operation. A role is often tied to a job description or work group description but does not necessarily need to be filled by one individual. The size of an organization, how it is structured, the existence of external partners and other factors will influence how roles are assigned. Whether a particular role is filled by a single individual or shared between two or more, the importance is the consistency of accountability and execution, along with the interaction with other roles in the organization.

The following roles are needed for the Service Desk.

**Service Desk Manager**

In large organizations where the Service Desk is of a significant size, a Service Desk Manager role may be justified with the Service Desk Supervisor(s) reporting to him or her. In such cases this role may take responsibility for some of the activities listed above and may additionally perform the following activities:

- Manage the overall desk activities, including the supervisors
- Act as a further escalation point for the supervisor(s)
- Take on a wider customer-services role
- Report to senior managers on any issue that could significantly impact the business
- Attend Change Advisory Board meetings
- Take overall responsibility for incident and Service Request handling on the Service Desk. This could also be expanded to any other activity taken on by the Service Desk – e.g. monitoring certain classes of event.

Note: in all cases, clearly defined job descriptions should be drafted and agreed so that specific responsibilities are known.

**Service Desk Supervisor**

In very small desks it is possible that the senior Service Desk Analyst will also act as the Supervisor – but in larger desks it is likely that a dedicated Service Desk Supervisor role will be needed. Where shift hours dictate it, there may be two or more post-holders who fulfill the role, usually on an overlapping basis. The Supervisor’s role is likely to include:

- Ensuring that staffing and skill levels are maintained throughout operational hours by managing shift staffing schedules, etc.
- Undertaking HR activities as needed
- Acting as an escalation point where difficult or controversial calls are received

- Production of statistics and management reports
- Representing the Service Desk at meetings
- Arranging staff training and awareness sessions
- Liaising with senior management
- Liaising with Change Management
- Performing briefings to Service Desk staff on changes or deployments that may affect volumes at the Service Desk
- Assisting analysts in providing first-line support when workloads are high, or where additional experience is required.

**Service Desk Analysts**

The primary Service Desk Analyst role is that or providing first-level support through taking calls and handling the resulting incidents or Service Requests using the Incident Reporting and Request Fulfillment processes, in line with the Service Desk objectives.

**Super Users**

In summary, this role will consist of business users who act as liaison points with IT in general and the Service Desk in particular. The role of Super User can be summarized as follows:

- To facilitate communication between IT and the business at an operational level
- To reinforce expectations of users regarding what Service Levels have been agreed
- Staff training for users in their area
- Providing support for minor incidents or simple request fulfillment
- Involvement with new releases and rollouts.

## 4.4 SERVICE DESK TECHNOLOGY

IT Services

Service Desk Technology Selection
Function: Service Desk

| | | |
|---|---|---|
| Status: | In draft<br>Under Review<br>Sent for Approval<br>Approved<br>Rejected | |
| Version: | <<your version>> | |
| Release Date: | | |

Service Desk Technology Selection for Service Desk

The document is not to be considered an extensive statement as its topics have to be generic enough to suit any reader for any organization.

However, the reader will certainly be reminded of the key topics that have to be considered.

**This document serves as a reference for QUESTIONS THAT CAN HELP AN ORGANIZATION SELECT A TOOL for the Service Desk Function.**

**This document provides a basis for completion within your own organization.**

This document was;

Prepared by: ______________________________
On: <<date>>

And accepted by: ______________________________
On: <<date>>

## Service Desk Technology Selection

The following is a list of questions that can be asked of key stakeholders and staff involved with the Service Desk and Service Management, to help define the requirements for a Service Desk.

The questions have been categorized into process segments.

The questions are designed to generate thought. Some of the questions may actually be more applicable during a scope and design phase and may not be asked during the exercise.

The purpose of this exercise is to gather the organization's requirements of what needs to be included in an IT Service Management tool. The requirements will be based on business needs and aligned to IT Service Management (ITSM) processes.

Collated answers can be used as an "ITSM Tool Requirements" document that can be used in future Request for Tenders (RFT). The document can also be provided to current tool vendors so that they may help the organization in changing their current tool environments to match the needs described in the ITSM Tool Requirements document.

It is important that when the organization implements ITSM processes that they have a supporting tool, to make those processes work as effectively as possible with minimal cost and disruption to the business.

The ITSM Tool Requirements document can list all the requirements discovered during the exercise. The document will not be a scope or design document detailing field requirements, naming of fields, technical effort or describe in any great detail each function within a tool.

## Processes

Service Level Management
Does the tool need to have the ability to add service levels?
At what level are service levels to be added? i.e. Configuration Level, Contact Level, Organizational Level, Departmental Level, Locations level?
How do you want control of the service levels managed?
How do you want escalation of warnings to be carried out?
In what medium do you need this carried out?
How many levels of escalation do you need?
Does escalation need to be sent to process owners?
Does escalation need to be sent to IT Functional Managers?
Does escalation need to be sent to IT Functional staff?
Does escalation need to be sent to Business Managers?
How do you see this happening?
Do you need external escalation medium? (i.e. pager, mobile phone)
How do you see the information contained in this area being needed or used in the areas listed below?
Which report possibilities do you need?
What sort of reports are you looking for?
At what level do reports need to be created for?
Do you need to be able to stop the clock ticking on SLAs?

## Incident Management

Does the tool need to log incidents?
How do you want incidents registered?
Will the tool automatically detect incidents?
What time stamping is needed?
At what levels should categorization take place?
Severity, Priority, Urgency or Impact, or all? – ITIL uses Urgency and Impact to determine Priority.
Does the tool need to automatically allocate these priorities? Based on what requirements?
What warnings are needed?
What information needs to be stored on the incident ticket?
How do you expect numbering to work?
Is there a need to record Configuration Items?
Is there a need to record linked Changes, Problems and other tickets to an incident?
Will an incident automatically escalate?
Will incidents be resolved then closed?
When closing an incident what notifications need to be sent?
Do notifications need to be sent?
What information do you want to capture during the resolution of an incident?
What information do you want to capture during the closing of an incident?
What information do you want to capture during the investigation of the incident?
Who will have access to the incident tickets? What information will they need?
Do different users of the system need to see different information?

Does the tool need to automatically prioritize multiple incidents?
Do you want to capture the status of an incident? At how many levels? Will this need to change automatically?
Do you need to add notes to the incident?
Do you want users to be able to change the display?
How do you see ownerships of tickets working?
Does the tool need to be able to show related records based on contact, configuration item, categories, locations, etc?
Do you want the tool to have the option for users to report an incident via mail?
Are there any other methods to log an incident?
Do you want to see SLA information on the incident ticket?
What reports do you want for incident management?
Do you want to record user input and user time stamps on the tickets? I.e. who did what and when and what they did or what they changed?
Will a knowledge management database be linked to incident management?

**Problem Management**

Does the tool need to support the ITIL process “Problem Management”?
Does the tool need to register problem tickets as being separate from Incident tickets? Do you see this as another category?
Does the tool need to register Known Errors?
Do you see Known Errors as just another category on an incident ticket?
Do you see problem tickets and known error tickets being logged manually and / or automatically?
What time stamping do you need on the ticket?
How do you want problem, and known error tickets categorized? Do they need to be categorized in the same manner as incident tickets?
Do you want the following information captured?
Status of problem
Function responsible for the solution of the problem
Actions already taken
Problem solution
Work around
Does the tool need to offer the option of dividing the total collection of problems into usable groups (e.g. equipment, network, data communications, work stations, etc.)?
Do you want to capture the impact of the solution to parts of the IT-infrastructure or business?
Do you need to capture Urgency, Impact and Priority on a problem ticket?
What categorizations do you see on the ticket?
Do you want escalations to occur from problem tickets?
At what levels should escalations occur from problem tickets?
Do escalations need to be sent to multiple people?
Can escalations be sent to business people, i.e. contacts in the database?
Will there be SLAs for problems?
Do you need to record SLA data against problem tickets?
What information do you need to capture on problem tickets?

Consider the following:
Time spent for research and diagnosis per department or supplier?
Short description of actions taken?
Input of people needed?
Input of resources needed?
Costs?
Descriptions of actions taken?
Status?
Service?
Configuration Item?
Time to solve a problem?
Time expired for open problems?
Expected time frames?
Will the problem tickets show links to other tickets?
Will a knowledge management database be linked to problem management?

**Configuration Management**

Does the management tool support the ITIL process of Configuration Management?
Do you need the tool to have an integrated CMDB (Configuration Management Database)?
How do you see the CMDB being populated?
Who will maintain the CMDB? How do you see this working? What will the process be?
Do you need the tool to be able to define a Configuration Item (CI), or will they be defined by a management tool?
How do see the management tool defining a CI (e.g. hardware, software, network components, services etc.)?
Do you want to capture relations between CIs? At what level? (This is where the strengths lie in Configuration Management tools and process)
Do you need to see graphical representation of relationships?
Do you need a status account for each CI? Do you want to record the lifecycle of the CI?
At what level do you want to record CI?
Do you need to record attributes of CIs? Do you have a list of key attributes?
Will the management tool define the attributes or will a management tool do this?
Do you want the tool to automatically create Asset ID’s for CIs?
Do you want to protect the CMDB from unauthorized use? Will only a select few people will have access to the CMDB?
What levels of access will be needed to the CMDB?
How do you see the CMDB relating to the other ITIL processes from a tool perspective?
Do you expect to store associated documentation within the CMDB?
Do you expect to manage licenses through the CMDB?
Do you expect to record license information in the CMDB?

Do you want the management tool to have the option to define and register a basic configuration and to save this separately (e.g. registration of the structure of (a part of) the IT infrastructure in a stable situation, so this can be consulted)?
How do you see CIs being added or deleted?
What naming conventions are needed? How will you determine the uniqueness of CIs?
Does the tool allow unique identifiers?
Do you need to capture model numbers, version numbers etc?
What information do you see being captured against each CI?
Should each CI form be different for each other CI? Will each CI form only show data that is needed for that CI? Will there be multiple CI forms?
Is there an interface with the Incident, Change, Problem and Release tickets?
Do you want cost information recorded? Do you want Maintenance information recorded?
Will there be automatic alerts in the Configuration Management tool? What are the alerts that you want (e.g. changes, status changes, outages, maintenance schedules and tasks including responsibilities)?
Will the CMDB be integrated into the tool?

**Change Management**

Does the management tool need to support ITIL processes?
Does the management tool need a separate Change Management proposal?
Does the management tool need to offer a standard change proposal that can be used by all employees within the organization?
How do you want to classify Changes?
Does the tool need to have a Forward Schedule of Changes? How do you see an FSC working within the tool?
Do you need the tool to automatically save changes to the CMDB?
Do you need to associate CIs to the RFC?
Do you need to distinguish between different types of changes?
Does the tool need to have different types of RFC forms for different changes?
Does the tool need to have electronic signatures or a way for people to approve and disapprove changes?
Some changes need multiple tasks carried out to achieve the change, how do you see this working in the management tool?
Do you need the tool to register the causes of the change at such levels as, service levels, infrastructure, and organization?
Do you expect to be able to record service levels against each RFC?
What alerts do you see as needed in the tool?
How do you see alerts being sent?
What reports do you need to generate for Change Management?
Does the business need to be involved in approving changes?
What happens when a change is rejected?
What happens when a change is accepted?
What information do you need to record on a change?

Does the tool need to link to any other modules or processes?
Will reports be transparent to other applications (e.g. MS Office)?

**Release Management**

Does the management tool need to support the process of Release Management?
Does the management tool need to offer the option to indicate the status of a software product?
What status indications do you need?
Do you need a mechanism to control authorized and unauthorized status transitions?
Does the management tool need to interface with a possible change management module? Why?
Does it need to interface with a configuration management module? Why?
How does the management tool structure the Definitive Software Library?
How does the management tool structure the Definitive Hardware Store?
Do you need the tool to have options regarding (total) overviews of software and breakdown facilities?
Does the tool need to offer the option to perform semi-automatic fallback plans?
Do you need to record the following information in the tool?
The number of licenses used
The users who use the applications
The version number of an application per user
The criticality of an application
The names of applications installed
The version number of all applications installed
License numbers of all applications installed
Number / amount of spending necessary for a fallback
Input of people and resources, specified by activity
Developments and expectations for the future
Deviations from the planning and budget
How easy should it be to adapt or develop reports?
Do reports need to be transparent to other applications?
Which other links do you require from Release Management to other ITIL processes?

**Availability Management**

Does the management tool need to support the ITIL processes?
Should the tool offer an interface into the Service Level Management module?
Should the management tool automatically generate a warning, should the agreed availability not be met?
Do you need this warning to be sent to multiple process owners? Does it need to be sent to business management?
How else do you see people being notified about a lack of availability?
Does the management tool need to link to an incident or problem? Do you want the unavailability of (part of) the infrastructure to be linked to an event?
Does the tool need to be proactive in determining possible availability levels in the future?
Do you want to capture the following information?

Name of the system
Time period in which the measurements are performed
Total realized availability per defined system
Data and times on which the defined system was not available
Causes for the temporary unavailability of the defined system
Solutions for availability of the define system
What reports do you want out of the tool?
Which automatic links do you need in the tool?
How will the tool integrate with other tools?
Do you see this linking to the Configuration Management module?
What information would you like to see passed between the modules?

**Capacity Management**

Does the management tool need to support the ITIL process?
Does the management tool need to offer the option to generate the following information?
Name of the transaction processing system
Start and closing times
Total number of process transactions
Total period of time the CPU was in use
Total number of I/Os
Average memory capacity
Total paging rate
Total swapping rate
Breakdown of above mentioned information.
Should the tool offer an interface into the Service Level Management module?
Should the management tool automatically generate a warning, should the agreed capacity not be met?
Do you need this warning to be sent to multiple process owners? Does it need to be sent to business management?
How else do you see people being notified about a lack of capacity?
Does the management tool need to link to an incident or problem? Do you want the capacity of (part of) the infrastructure to be linked to an event?
Does the tool need to be proactive in determining possible capacity levels in the future?
What reports do you want out of the tool?
Which automatic links do you need in the tool?
How will the tool integrate with other tools?
Do you see this linking to the Configuration Management module?
What information would you like to see passed between the modules?

**Financial Management**

Does the management tool need to support the ITIL process “Financial Management”?
To what detail level do you want the structure of costs per SLA to be rendered?
Where do you expect to see costs captured?

Against which records in the tool do you see cost being captured?
Do you see cost as being automatically calculated in the tool?
Do you expect to capture charge rates for resources?
Do you expect to associate charge rates for resources?
What links do you see Financial Mgt having with other modules in the tool?
Will there be penalties associated with breach of SLA and do you see the tool automatically capturing and calculating this?
Do you expect to capture costs against Configuration Items?

**IT Service Continuity Management**

Does the management tool need to support the process of IT Service Continuity Management?
How do you see a tool supporting the process of IT Service Continuity Management?
Does the tool need to account or capture information regarding inadequate IT Continuity endangering the continuity of one or more business processes (not IT processes)?
What links are needed from this process to the other ITIL processes?
What other information do you see being captured?”

**Other Requirements**

The tool vendor is to explain the functionality of the above processes as much as possible, in case the functionality is not handled by the above questions.

**General**

Do you expect that a knowledge management tool well be integral to the overall tool?
At what level should there be search screens?
Do users need the ability to tailor / change the output of the searches (e.g. can they add or remove extra columns of information)?
Do you need users to be able to create their own searches?
List all and any module you believe need to be in the tool.
Do you want to be able to determine how tickets are numbered?
What sort of flexibility in ticket numbering do you expect?
Does the management tool need to offer the option of “job scheduling”?
How do you see job scheduling notification working?
Do you need to print from the management tool?

**Technical Requirements**

Should the tool be able to be integrated with Active Directory to enable single sign on?
Should the tool come with its own proprietary database?
Should the tool integrate with any specific databases?
What other integration requirements are there?
Who do you expect to tailor the tool?

What level of technical complexity do you believe the tool should have?
What level of IT expertise do you believe staff should have to tailor the tool?

**Requirements regarding support / maintenance**

What is your definition of support?
What level of support do you require?
Do you have time frames in mind for support?
Do you want the support guaranteed via an SLA?
Required Courses
Are you going to send people on courses with regards to the tool?
At what level do you require courses?
How many people do you see going on courses?
Are you going to rely on the vendor or the reseller to supply courses?
What level of training do you people will need?

**Reports**

What reports do you believe need to come with the tool?
Are you going to provide or do you have a third party reporting tool?
What sort of reporting functionality do you require in the tool, if any?
Do you want the vendor to supply you with a list of reports during a tender process?

**Security**

Does the tool need to offer the option of access control?
What security requirements are needed in the tool?
Does data need to be separated from functional groups?
Does the organization have a naming and login convention or policy? Do you expect to be able to create your own naming conventions?
Will anyone else external to the organization have access or need access to the tool and for what purposes?
Do you want to be able to do the following?
Allocate users identification
Allocate (temporary) passwords
Define minimum password lengths
Command periodical changing of passwords
Register failed login attempts
Temporary close a workstation of (for example) three failed login attempts
Allocate users authorizations (access to certain parts of the IT infrastructure)
Allocate user rights within the authorized domains
Assure that previous allocated user’s identifications will not be re-allocated
Implement the single sign-on principle

## Reference Sites

How many reference sites do you want from the vendor?
What are you looking for in a reference site?
Do you want to see a site where the implementations weren't successful?
Do you want to be able to visit the reference sites?
How long would you like to spend at each reference site?

## Implementation

How much time during an implementation do you expect from the organization?
How long do you expect an implementation to take?
Do you want an estimate from a vendor?
How do you see costs being shown by the vendor?
How do you expect the vendor to show and describe the size of the implementation?

## 4.5 EXAMPLE OUTSOURCING CONTRACT TEMPLATE

**SERVICE LEVEL AGREEMENT ON**
**«SERVICE» BETWEEN**
**«CLIENT» AND OUTSOURCER**

Author(s):

**SERVICE LEVEL AGREEMENT ON «SERVICE»**
**BETWEEN «CLIENT» AND OUTSOURCER**

Author(s) :

Document date :

Document version :

Document reference :

Date of Contract :

Status :

Released by : Initials: __________

For any questions or remarks on this document, please contact

REVISIONS

| VERSION | DATE | DESCRIPTION | AUTHOR |
| --- | --- | --- | --- |

## Definitions

Definitions, expressions and abbreviations used in this SLA are defined in the Service Framework Agreement (SFA) or explained in Appendix IV («APPENDIX_IV») of this SLA.

## Scope

OUTSOURCER will render to «CLIENT», IT Services, used by «CLIENT» in LOCATION.

OUTSOURCER will render these services under the terms and conditions, as defined in this SLA.

## Parties concerned

### ***Customer***

Organization :
Location :
Telephone :
Address :
Postal Code :
City :

Hereafter referred to as customer and in this represented by «CLIENT_PERS»

### ***Supplier***

Organization :
Location :
Telephone :
Address :
Postal Code :
City :

Hereafter referred to as supplier and in this represented by……

## CONDITIONS

OUTSOURCER will solely accept tasks, given by the persons mentioned in Appendix III («APPENDIX_III») of this SLA or their formally appointed representatives.

The supplier will make certain that only employees, for whom this SLA has been agreed upon, will make use of the services rendered.

## ASPECTS OF ORGANIZATION

### Representation

The customer will appoint a representative for the daily activities concerning this Service Level Agreement. This person will act as the contact person for the supplier. The customer will remain the formal recipient of reports, sent by the supplier.

The supplier will appoint a representative for safeguarding the level of the services, agreed upon in this Service Level Agreement.

The customer's representative and the supplier's representative will, on a three monthly basis, discuss the progress and quality of the services rendered. The supplier's representative will initiate the meeting and, in interaction with the customer's representative, draw up the agenda.

### Reporting

The supplier will report quarterly to the customer concerning the results of the previous quarter. This report will show a survey of the registered data concerning the performance indicators, as agreed upon per (critical) service.
By this way of working, the customer receives an insight in the achievements of the supplier, so that, when necessary, appropriate action(s) can be undertaken.
The customer is entitled to an intermediate evaluation of the achievements of the supplier. The customer will initiate the meeting with the representative(s) of the supplier.

### Change Management

In case of changes in and/or updates of principles and/or specifications, as mentioned in this SLA, an OUTSOURCER Change Management procedure will be formalised.
This will also occur when the criteria change, which the services rendered have to meet.

The Change Management procedure implies that, with approval of the customer, the changes in specifications / numbers / services or tasks are described and that subsequently will be estimated what the consequences will be for the services rendered. This also applies in case the reality structurally deviates from the mutually agreed demand.

## GENERAL CONDITIONS

### Property

System & Application software and the hardware concerned, supplied by the supplier to the customer, remain property of the supplier and are an integral part of the services rendered.
Files, supplied by the customer to the supplier for multiplication, remain – together with the result of the multiplication – property of the customer.

### Secrecy

The customer/supplier agrees that all knowledge, concerning the organization of the supplier/customer, coming forth from the activities based on this Service Level Agreement and by which, by making public, the supplier/customer may suffer damage, will in no way be made available to any third party.

### Duration

This SLA has duration of xx. Service Levels, pricing and number of resources may be negotiated quarterly each year.

This agreement will, following the initially agreed period (ending on xxx), tacitly be renewed for a period of five (5) years.
This agreement is for both supplier and customer subjected to six (6) months' notice. Termination must be done in writing, after which the counterpart is entitled to a verbal explanation.

## ARBITRATION

In matters of dispute concerning interpretation, as well as complaints concerning the implementation of this Service Level Agreement, both parties will settle the dispute by mutual negotiation, if necessary supported by a specialist to be appointed by both parties. In case financial consequences are involved by appointing a specialist, these costs will be evenly divided among parties.

**AGREEMENT**

The costs, as declared in Appendix I: «APPENDIX_I», will be charged per Client-period according to the tariff of the mutually agreed demand, based on rolling forecast. Quarterly, a cost equalisation will take place, based on the actual demand.

The costs will be charged to department number: **CLIENT**

Starting date:

The persons, mentioned below, are authorised to sign and confirm to agree with the contents of this Service Level Agreement, including the appendixes.

| | |
|---|---|
| For the customer: | For the supplier: |
| Organization: | Organization: |
| ***«CLIENT»*** | ***OUTSOURCER*** |
| Date: | Date: |
| Signature: | Signature: |
| ______________________________ | ______________________________ |

## INFRA-STRUCTURE

### Description of The Infra-Structure

The infrastructure provides customers with the means to receive IT functionalities to support their business.

The infrastructure, which renders the IT Services, consists of a sufficiently equipped workstation with connectivity to the LAN. The physical location of the workstation is decided by the customer

### Objects Under This Agreement

Appendix I («APPENDIX_I») shows a survey of the services rendered through this SLA.

Appendix II («APPENDIX_II») describes the software in use, in terms of operating- and application software.

Appendix III («APPENDIX_III») shows the contact persons for both the customer and the supplier concerning this SLA.

Appendix IV («APPENDIX_IV») shows a list of definitions, used in this document.

Appendix V («APPENDIX_V») contains an overview of all agreed reports and performance indicators.

### Boundaries

First line support is offered by the helpdesk of Outsourcer's End User Support.
Second and/or third line support is offered by OUTSOURCER / and/or OUTSOURCER Technical Services.
Hardware support regarding workstations bought via an OUTSOURCER preferred supplier is carried out by the supplier, under the terms of a master contract between OUTSOURCER and the supplier. This SLA does not cover hardware bought from other suppliers. If required, OUTSOURCER Support can act as intermediary between customer and supplier(s).

### Technical Infrastructure

All hardware, listed in Appendix II («APPENDIX_II»), will be supported under the terms of this SLA, except when explicitly excluded in Appendix II.
A further exception must be made for hardware already in place. In case of problems arising, due to old or unsupported software drivers, the customer is obliged to upgrade to the latest release of software-drivers, to maintain high quality support from the supplier. The same is applicable for hardware devices, no longer supported by the present software applications and/or Windows platform.

## SERVICE DELIVERY MANAGEMENT

### First Line Support

The entry point for every support call is Outsourcer's End User Support Helpdesk, which can be reached by telephone or e-mail

### Description

- Process incoming incidents from customer by Outsourcer's End User Support Helpdesk.
- When necessary, escalate incidents into Problem Management Procedure.

### Registration tasks

- logging of support calls (incident ⇒ problem)
- assigning problem to second/third line support
- registration of change requests

### Second and/or Third Line Support

### Reporting tasks

- process calls, escalated through the Problem Management Procedure
    - support customers by telephone, remote (modem) support, on-site support
- report on support activities
    - Report on problems (numbers per severity, response time, results).
    - report on change requests (numbers, due time, results)

## SERVICE LEVEL PROCEDURES CONCERNING INFRASTRUCTURE

### Management Procedures

The Support-process is described in several documents:

- Incident Management
- Escalation Management
- Change Management

### Severity Levels

The following response times are relevant:

| Problem classification | Initial response time |
|---|---|
| **Severity 1** | within 1 office hour after reporting of incident by customer |
| **Severity 2** | within 4 office hours after reporting of incident by customer |
| **Severity 3** | within 8 office hours after reporting of incident by customer |
| **Severity 4** | within 48 office hours after reporting of incident by customer |

Response time is the maximum time within which the supplier must respond to the customer, following the reporting of an incident to the OUTSOURCER Helpdesk. The response time is only during the hours when the application or equipment is supported (prime time).

The OUTSOURCER Helpdesk assigns the correct severity level to the reported incident:

- Severity 1: complete failure of an IT service or component, preventing the use of key business applications.
- Severity 2: partial failure of an IT service or component, seriously impacting the use of key business applications.

- Severity 3: non-urgent problem which does not affect the critical operation of the business

  ⇒ ***DEFAULT SEVERITY LEVEL***

- Severity 4: low priority problem, resolution of which will be scheduled with prime support contact

### Delivery of Documentation

- **Results of delivery** are according to quality; at least conform the actual standards of the existing suppliers.

- **The delivery of Publishing on Demand activities, ready for distribution,** will be completed within 48 hours, i.e. two (2) working days.

- **Delivery times:** at least 98% of the orders will be delivered within the timeframe agreed upon between customer and supplier.

- **For publishing of first editions**, the requested target time is dictated by the product release date. This target time is of the utmost importance.

- **Following editions** will be considered as publishing on demand.

- **OUTSOURCER/ guarantees the following delivery times:**
  - 10 days + distribution for the (standard) price mentioned in the price list
  - 5 days + distribution for the (standard) price + 50% urgency-surcharge
  - 24 hours + distribution for the (standard) price + 100% urgency-surcharge

### Responsibilities of OUTSOURCER

OUTSOURCER will provide maintenance and support as “best in class” and will ensure that the software specialists, appointed to the customer, are sufficiently qualified and experienced to provide maintenance and support.

### Responsibilities of «CLIENT»

The customer will notify OUTSOURCER about any defects in the infrastructure or any problems encountered in its use, as soon as they have become apparent in accordance with this SLA and will prevent any unauthorised change/adaptation to the infrastructure.

APPENDIX I

**«APPENDIX_I»**

## SAMPLE APPENDIX

### Introduction and objectives

The service departments of Client are world-wide suppliers of service manuals by means of which service shop/service organization employees can repair Client devices.

OUTSOURCER/Electronic Commerce, in particular the Service Practice “” (OUTSOURCER/), was requested to search for solutions to improve the current production- and distribution process. The central objectives underlying this request are:

- achieve a 6% yearly Client  efficiency-improvement
- enable distribution on media other than paper

In this appendix the activities of OUTSOURCER/ are specified, including production time and cost of the manuals to be manufactured.

### Approach

The approach, chosen by OUTSOURCER/, is founded on a set of three main points:

- The development of a production-, distribution- and archive system, that enables a more flexible, quicker and more effective way of working, with the ultimate goal of achieving an annual 6% efficiency improvement
- Open-architecture systems that enable the growth to diagnostic systems
- Based on international standards

The production concept OUTSOURCER/ suggests leans on two central aspects:

- Publishing-on-Demand
- Database-Publishing

This production concept, among others, provides with the following benefits:

- Up to date documents
- Reduction of cost [lower stock]
- Re-use of material
- Connection with other media than paper is made possible (in a subsequent phase)
- Integration in current way-of-working/workflow and infrastructure
- Shorter time-to-market of written documents
- Availability of information all through the company
- Continuity

**Current production process**

The following production and development process is currently in use at Client:

- Authors write the (service) manuals. At this moment five types of manuals are in use.
- Manuals are written using multiple platforms and word processors, using multiple lay-outs, (no standardised structure), drawing programs, CAD-programs, etc.
- Translation agencies deliver the foreign translations of these manuals.
- Client assembles a list (by means of the database) of the estimated number of service shops that must receive a copy of the produced manuals.
- Text files and drawings are combined in Ventura.
- Client produces the necessary films of the DTP-files.
- Offset takes care of the mass production of the needed number of copies (print) with a maximum production time of 10 days.
- Offset delivers the printed documents to Client.
- Based on the previously prepared list, the documents are sent to the different headquarters of the countries in which the concerning Client equipment is sold.
- By request afterwards, documents are also sent to service shops that have not initially received a copy of the manual. The same applies in case of a repeat order, or because the service shop is located in a country without a central country headquarters.
- When the minimal stock amount of a documentation set is reached, a reorder is put to offset.

**New development- and production process suggested by OUTSOURCER**

- Client is fully responsible for the development and the contents of the documents.
- During the construction of a new manual, the authors can use the new database, which OUTSOURCER will develop and implement for the Publishing Management System.

- When the construction process is finalised, OUTSOURCER will be in charge of the production process (mass print, computer print, multiplication and distribution)

**Suggested procedures**

- OUTSOURCER has developed and introduced a database-system, which is accessible for every authorised Client () employee. By means of this database-system, pictures, graphics, texts, etc. can be reused, on a world-wide basis. Sharing of documents and images will be possible.
- The Publishing Management System delivers the created files to OUTSOURCER/.
- ‘Service’ employees assemble the existing elements into new documents by means of the new system. In principle, end-controls are superfluous, although a checkpoint can be built-in. This prevents that, in the end, OUTSOURCER is held responsible for the contents of a document.
- The system generates a ‘final’ document. Based on this document manuals are reproduced.
- In the (re)production process, a choice can be made for two basic production principles:
  - Print
  - Digital printing
- Based on the current structure and layout, a choice will be made for one of both production methods.
- Offset (or a similar supplier) takes care of the initial mass production (*printing*), based on a packing list generated by the system.
- Repeat orders will be computer printed, either by Offset or by OUTSOURCER/.
- OUTSOURCER/ will only perform the printing process itself, when the documents comply with the concerning OUTSOURCER demands. Documents can only exist of black-and-white pages (now partially in colour), and the maximum size per page is A3. Three-dimensional and coloured schemes, which are currently part of the document, can be e.g. divided into several sub-schemes, although in that case an adaptation of the content of the document is necessary.

**Order system**

A selected number of Client employees are authorised to (re)order documents. The names of the employees concerned are known to OUTSOURCER/. Orders put in by employees outside this selected group will not be accepted.

Orders need to contain the following elements:

- requesters name
- document name(s)
- number of volumes
- end-user name and address
- delivery date

Precise respective procedures need yet to be set up.

Orders can be put in by fax or telephone. Additionally, OUTSOURCER/ will develop an electronic order form (email). By means of this form orders can be placed on-line.

OUTSOURCER will screen the received orders on volume, medium, production feasibility etc. Based on this information, a choice will be made either for printing or digital printing.

**Physical Distribution System**

For distribution a distinction needs to be made between the distribution of hardcopy manuals, CD-ROM manuals and Websites.

Concerning the Websites, the only (simple) electronic distribution method is to put a new Website on the Internet/Intranet.

Monthly Client is provided with a specified bill which contains a list of the sent documents and the addresses they have been sent to.

A choice has to be made for one or more couriers. Arrangements on the specified bills and on distribution costs have yet to be made.

**Delivery time**

The current production time of a printed document (at Offset) is 10 days. After production the distribution takes about 4 days.

This means that 'On Demand' produced documents have to be manufactured and distributed in *less than 14 days*. Therefore a ready-made Publishing Management System-file has to be produced, multiplied and received by the end-user in less than two weeks.

OUTSOURCER/ guarantees the following delivery times:

- 10 days + distribution for the (standard) price mentioned in the price list
- 5 days + distribution for the (standard) price + 50% urgency-surcharge
- 24 hours + distribution for the (standard) price + 100% urgency-surcharge

Furthermore, a "1 day delivery stock" will have to be maintained; the size of which is to be negotiated.

For urgent deliveries, that can be supplied from the 1 day delivery stock, no surcharge will be calculated.

## Cost-price and financial procedures

In the scheme displayed below, various cost-price elements of documents to be produced are listed. Subsequently a cost-price per type of document is calculated.

In this scheme changes in the cost-price are indicated when more electronic and less paper documents are produced.

- Total production and distribution costs
- Production volumes

A quarterly mutation in production volumes is possible. Because total costs partly consist of fixed costs, cost-prices will alter whenever service volumes change.

For manuals printed on paper, an average number of 30 pages is assumed. Every quarter the OUTSOURCER/ Order management Department will compare the real service volumes to the expected service volumes. If necessary, recalculations will be made.

Cost-price elements:

- Disk space
- Order application
- Physical distribution
- Raw material
- Extra manpower needed
- .....

Also for these calculations, specified procedures have yet to be designed.

Price per standardised document. These consist of the following cost-price elements (in percentage: order desk, etc.).

Monthly/quarterly a specification of produced and sent documents will be drawn up. Also all addressees will be mentioned.

## Way of Working

The Publishing Management System describes the way in which the publishing process for service documentation for Client must be optimised. By deploying this system, gathering and processing of different sources is simplified, as well as the realisation of complete manuals, thus considerably reducing the processing time of the publishing process. Furthermore an increase in the publishing possibilities, in volume as well as in functionality and media, will be realised.

The appropriate hardware / software solutions will be deployed on site, enabling the customer to fully control the document workflow. The proposed hardware / software-solution will, in bilateral agreement, be customised to the needs of the customer.

The customer will negotiate with developers, authors, graphical designers, photographers, etc., in order to simplify input as much as possible. The proposed hardware / software-solution will enable the customer to execute entry-control through the network. Thus, every authorised user will be able to interconnect electronic messages to a document-element to be checked ("Post-it stickers").

## Generating documents

A clear choice has been made for a phased approach; initially five types of documents will be structured through the use of SGML (***S***tandard ***G***eneralised ***M***ark-up ***L***anguage):

1. Service Manual
2. Training Manual
3. Service Information
4. Product Survey
5. Service Profile

Structured document elements, provided with signatures (e.g. language code, structure elements); will be recorded in a SGML-database, the "Content Manager", for further use. Also in the Content Manager, references to the physical location of necessary graphics will be stored, but the graphics themselves will not be physically stored in the database.

The consistency and contents of the structured document elements are solely the responsibility of the customer.

- Publication from the content manager is done in two steps. First, document elements from the content manager will be selected and combined into a draft document. This draft will still contain signatures per document element. These signatures can in the second step be used by the publishing engine and transferred to the composition module.

## Indication of costs and sales prices

The costs of products, delivered by OUTSOURCER/, are partially fixed and partially variable.
Because the fixed costs cannot be directly related to the different services rendered (and therefore a link between the total fixed costs and the different media involved, i.e. services, CD-ROMs and websites, is not possible) the calculation of a cost price per medium is a rather complicated case.

The figure below shows a survey of the different cost price elements, as applicable in this case.
It concerns solely the production of xxxxx at xxxxx.
The amounts, mentioned in this table, have been calculated on the basis of the production volume and sales volume of last year.

| *PRICING OF Service* | |
|---|---|
| | |
| **Offset** | |
| Printing costs (or OUTSOURCER prints?) | **655675** |
| | |
| **OUTSOURCER** | |
| Distribution (excl. logistic and stock costs) | 115494 |
| Extra costs for producing films etc. | 38365 |
| Extra distribution costs | 81297 |
| **Subtotal** | **235156** |
| | |
| **OUTSOURCER** | |
| HW system support, backup and maintenance | 48000 |
| SW depreciation 5 years | 11000 |
| SW support & maintenance | 9000 |
| Support & Maintenance application software | 50000 |
| Intra/internet services | 50000 |
| Order & Workflow management | 70000 |
| Application Development | 100000 |
| **Subtotal** | **338000** |
| | |
| **Total** | **1228831** |
| + margin 10% | **1351714** |
| | |
| Average service price - standard | **5,28** |
| | |
| Service price, 10 day delivery time - standard | 5,28 |
| Service price, 5 day delivery time - (+ 50%) | 7,92 |
| Service price, 24 hrs. Delivery time - (+ 100%) | 10,56 |

**Figure**

# APPENDIX II

**«APPENDIX_II»**

**STANDARD SUPPORTED OPERATING SOFTWARE:**

- UNIX SOLARIS, version 2.51

**STANDARD SUPPORTED APPLICATION SOFTWARE:**

- Information Manager, version 1.0
- Frame Maker + SGML
- Adobe Acrobat (to be determined)
- Netscape, all versions > 2.0
- MS-Explore
- User software developed by OUTSOURCER /

# APPENDIX III

**«APPENDIX_III»**

**Contact persons**

| **Application** | |
|---|---|
| • Application Owner | |
| • Application Manager | |
| • Application Support | |
| • Customer Support Desk | |
| • Contact person «CLIENT» | |
| • Contact person Infra-structure | |
| • Account Manager | |
| • Contract Manager | |
| • Service Delivery Manager IT | |
| • Service Delivery Manager | |

# APPENDIX IV

**«APPENDIX_IV»**

**Definitions**

| | |
|---|---|
| Response time: | The time elapsed between the customer notifying the supplier of a problem and the moment that the supplier starts working on solving the problem. |
| Due diligence phase: | The period between signing of a letter of intent and signing of the actual contract. |
| Transition phase: | The initial phase of the contract during which OUTSOURCER, among other things, will study what performance guarantees can be given with regard to the existing environment. |
| Attended service: | Availability and connectivity of the operational services is physically monitored (hours during prime-time). |
| Unattended services : | Availability and connectivity of the operational services is not physically monitored (hours outside prime-time). |

The following terms are defined in the SLA concerning the infrastructure:

- Availability
- Office hours (prime-time)
- On-site ("first line") support
- Opening hours
- Second line support

# APPENDIX V

**«APPENDIX_V»**

## PERFORMANCE INDICATORS

### Response Time Network / Server

A constant monitoring of the network is being executed by OUTSOURCER through the use of several tools. This monitoring concerns three aspects of the LAN: Throughput, Availability and Concurrent Use.

### Problem Processing Control

- **Maintenance on site** is carried out on the basis of the customer's hardware-contract. If the customer is not covered by a hardware-contract, maintenance is done on best-effort.

- **Response-time on request for a new service**: a request by the customer for development of and/or effectuating a new service will be taken up by OUTSOURCER within one (1) working day.
  Subsequently, in bilateral agreement with the customer, the new service will be developed or offered.

- **Response-time End User Support** depends on the severity level of the incident, reported by the customer to the OUTSOURCER-helpdesk. See also paragraph  Severity Levels.

- **Confirmation of reported incident** by the, via the helpdesk assigned, End User Supporter to the customer will be done within one (1) working day.

### Future Development

The progress of the planning, according to the Information Plan, will be discussed on a monthly basis. Planning should be according to schedule and discussed bilaterally.

### Efficiency Improvement

According to the Efficiency Plan, as part of the Information Plan, the results are measured by
«CLIENT» on a quarterly basis and discussed with OUTSOURCER/.

Both the contents of the service and the procedures agreed upon in this SLA, as well as the concerning tariffs will be discussed in the quarterly evaluation.
If necessary, (parts of) the service and/or the tariffs will be adapted according to the results of the evaluation.

## 4.6 SERVICE DELIVERY MODEL OPTIONS

Although a company's readiness assessment determines the gap between the current and desired capabilities, an IT organization should not necessarily try to bridge that gap by itself. There are many different delivery strategies that can be used. Each one has its own set of advantages and disadvantages, but all require some level of adaptation and customization for the situation at hand. Table 1 lists the main categories of sourcing strategies with a short abstract for each. Delivery practices tend to fall into one of these categories or some variant of them.

**Table 1**

**Main service delivery strategies**

| Delivery Strategy | Description |
|---|---|
| Insourcing | This approach relies on utilizing internal organizational resources in the design, development, transition, maintenance, operation and/or support of new, changed or revised services or data centre operations. |
| Outsourcing | This approach utilizes the resources of an external organization or organizations in a formal arrangement to provide a well-defined portion of a service's design, development, maintenance, operations and/or support. This includes the consumption of services from Application Service Providers (ASPs) described below. |
| Co-Sourcing | Often a combination of insourcing and outsourcing, using a number of outsourcing organizations working together to co-source key elements within the lifecycle. This generally involves using a number of external organizations working together to design, develop, transition, maintain, operate and/or support a portion of a service. |
| Partnership or multi-sourcing | Formal arrangements between two or more organizations to work together to design, develop, transition, maintain, operate and/or support IT service(s). The focus here tends to be on strategic partnerships that leverage critical expertise or market opportunities. |
| Business Process Outsourcing (BPO) | The increasing trend of relocating entire business functions using formal arrangements between organizations |

| | |
|---|---|
| | where one organization provides and manages the other organization's entire business process(es) or functions(s) in a low-cost location. Common examples are accounting, payroll and call centre operations. |
| Application Service Provision | Involves formal arrangements with an Application Service Provider (ASP) organization that will provide shared computer-based services to customer organizations over a network. Applications offered in this way are also sometimes referred to as on-demand software/applications. Through ASPs, the complexities and costs of such shared software can be reduced and provided to organizations that could otherwise not justify the investment. |
| Knowledge Process Outsourcing (KPO) | The newest form of outsourcing, KPO is a step ahead of BPO in one respect. KPO organizations provide domain-based processes and business expertise rather than just process expertise, and require advanced analytical and specialized skills from the outsourcing organization. |

Table 1 highlights a key point: the set of delivery strategies varies widely and ranges from a relatively straightforward situation, solely managed within the boundaries of a company, all the way to a full KPO situation. This broad range of alternatives provides significant flexibility, but often with added complexity, and in some cases additional risk. The advantages and disadvantages of each type of delivery strategy are discussed in Table 2 below.

**Table 2**

**Advantages and disadvantages of service delivery strategies**

| Delivery Strategy | Advantages | Disadvantages |
|---|---|---|
| Insourcing | Direct control<br>Freedom of choice<br>Rapid prototyping of leading-edge services<br>Familiar policies and processes<br>Company-specific knowledge | Scale limitations<br>Cost and time to market for services readily available outside<br>Dependent on internal resources and their skills and competencies |
| Outsourcing | Economies of scale<br>Purchased expertise<br>Supports focus on company | Less direct control<br>Exit barriers<br>Solvency risk of suppliers |

| | | |
|---|---|---|
| | core competencies<br>Support for transient needs<br>Test drive/trial of new services | Unknown supplier skills and competencies<br>More challenging business process integration<br>Increased governance and verification |
| Co-sourcing | Time to market<br>Leveraged expertise<br>Control<br>Use of specialized providers | Project complexity<br>Intellectual property and copyright protection<br>Culture clash between companies |
| Partnership of multi-sourcing | Time to market<br>Market expansion/entrance<br>Competitive response<br>Leveraged expertise<br>Trust, alignment and mutual benefit<br>‘Risk and reward’ agreements | Project complexity<br>Intellectual property and copyright protection<br>Culture clash between companies |
| Business Process Outsourcing (BPO) | Single point of responsibility<br>‘One-stop shop’<br>Access to specialist skills<br>Risk transferred to the outsource<br>Low-cost location | Culture clash between companies<br>Loss of business knowledge<br>Loss of relationship with the business |
| Application Service Provision | Access to expensive and complex solutions<br>Low-cost location<br>Support and upgrades included<br>Security and ITSCM options included | Culture clash between companies<br>Access to facilities only, not knowledge<br>Often usage-based charging models |
| Knowledge Process Outsourcing (KPO) | Access to specialist skills, knowledge and expertise<br>Low-cost location<br>Significant cost savings | Culture clash between companies<br>Loss of internal expertise<br>Loss of relationship with the business |

All of the above arrangements can be provided in both an off-shore or on-shore situation. In the on-shore case, both organizations are based within the same country/continent, whereas in the off-shore situation the organizations are in different countries/continents. Very complex sourcing arrangements exist within the IT industry and it is impossible to cover all combinations and their implications here. ITIL Service Management Practice Complementary Series will provide additional guidance on sourcing strategies.

Mergers and acquisitions can also complicate the issues. These situations occur when one company acquires or merges with another company for cash and/or equity swaps of the company’s stock. Again, this occurs generally in response to industry consolidations, market expansion, or in direct response to competitive pressures. If companies that have different service delivery strategies are acquired or merge, a period of review and consolidation is often required to determine the most appropriate sourcing strategy for the newly merged organization. However, mergers and acquisitions can often provide organizations with the opportunity to consolidate the best practice from each organization, thereby improving the overall service capability and achieving synergies across the organization. Opportunities will also exist to provide improved career development options to Service Management personnel and to consolidate supplier contract for services.

**Design and development options**

The delivery strategies are relevant to both the design and transition stages of the Service Lifecycle as well as the operation stage. Extreme care must be taken when selecting different strategies for different stages of the lifecycle to ensure that all organizations involved clearly understand their individual roles and responsibilities, and also every other organization's role and responsibility to ensure acceptance and handover processes are clearly defined, agreed and accepted.

So how does an organization determine the optimum delivery strategy? There is no single or simple answer to this question. It is too dependent on the unique and specific situation under consideration. For this reason, the most appropriate guidance that can be provided is to describe key advantages and disadvantages of each delivery strategy. This, in turn, can be used as a checklist to determine which delivery approach should be evaluated further and most benefit the specific project or business initiative. Table 2 lists each strategy and its key advantages and disadvantages for the delivery of an application or IT service.

The strategy selected will depend on the capability and needs of the specific organization, its business and people – culture and capabilities. Whichever strategy is selected, its success and operation should be measured and regularly reviewed for effectiveness and efficiency and adapted to fit the changing business needs. The selection adopted with regard to IT service provision can often by influenced by the overall business culture and its approach to outsourcing and partnering.

**Requirements and outsourcing**

The aim is to select standard packages solutions wherever possible to meet service requirements. However, whether IT requirements are to be purchased off-the-shelf, developed in-house or outsourced all the activities up to the production of a specification of business requirements are done in-house. Many IT service development contracts assume it is possible to know what the requirements are at the start, and that it is possible to produce a specification that unambiguously expresses the requirements. For all but the simplest services this is rarely true. Requirements analysis is an iterative process – the requirements will change during the period the application and service are being developed. It will require use involvement throughout the development process, as in the DSDM and other 'agile' approaches.

**Typical requirements outsourcing scenarios**

Typical approached to contract for the development of IT systems to be delivered in support of an IT service as are follows:

- Low-level requirements specification – the boundary between ‘customer’ and provider is drawn between the detailed requirements specification and any design activities. All the requirments that have an impact on the user have been specified in detail, giving the provider a very clear and precise implementation target. However, there is increased specification effort, and the added value of the provider is restricted to the less difficult aspects of development.

- High-level requirements specification – the customer/provider boundary is between the high-level requirements and all other phases. The provider contract covers everything below the line. The customer is responsible for testing the delivered service against the business requirements. As it is easier to specify high-level requirements, there is reduced effort to develop contract inputs. However, there may be significant problems of increased cost and risk for both customer and provider, together with increased room for mistakes, instability of requirements and increased difficulty in knowing what information systems you want.

## 4.7 SERVICE DESK METRICS

Metrics should be established so that performance of the Service Desk can be evaluated at regular intervals. This is important to assess the health, maturity, efficiency, effectiveness and any opportunities to improve Service Desk operations.

Metrics for Service Desk performance must be realistic and carefully chosen. It is common to select those metrics that are easily available and that may seem to be a possible indication of performance; however, this can be misleading. For example, the total number of calls received by the Service Desk is not in itself an indication of either good or bad performance and may in fact by caused by events completely outside the control of the Service Desk – for example a particularly busy period for the organization, or the release of a new version of a major corporate system.

An increase in the number of calls to the Service Desk can indicate less reliable services over that period of time – but may also indicate increased user confidence in a Service Desk that is maturing, resulting in a higher likelihood that users will seek assistance rather than try to cope alone. For this type of metric to be reliable for reaching either conclusion, further comparison of previous periods for any Service Desk improvements implemented since the last measurement baseline, or service reliability changes, problems, etc. to isolate the true cause for the increase is needed.

Further analysis and more detailed metrics are therefore needed and must be examined over a period of time. These will include the call-handling statistics, and additionally:

- The first-line resolution rate: the percentage of calls resolved at first line, without the need for escalation to support other groups. This is the figure often quoted by organizations as the primary measure of the Service Desks performance – and used for comparison purposes with the performance of other desks – but care is needed when making any comparisons. For greater accuracy and more valid comparisons this can be broken down further as follows:

- ▪ The percentage of calls resolved during the first contact with the Service Desk, i.e. while the user is still on the telephone to report the call

- ▪ The percentage of calls resolved by the Service Desk staff themselves without having to seek deeper support from other groups. Note: some desks will choose to co-locate or embed more technically skilled second-line staff with the Service Desk. In such cases it is important when making comparisons to also separate out (i) the percentage resolved by the Service Desk staff alone; and (ii) the percentage resolved by the first-line Service Desk staff and second-line support staff combined.

- Average time to resolve an incident (when resolved at first line)

- Average time to escalate an incident (where first-line resolution is not possible)

- Average Service Desk cost of handling an incident. Two metrics should be considered here:

  - Total cost of the Service Desk divided by the number of calls. This will provide an average figure which is useful as an index and for planning purposes but does not accurately represent the relative costs of different types of calls

  - By calculating the percentage of call duration time on the desk overall and working out a cost per minute (total costs for the period divided by total call duration minutes) this can be used to calculate the cost for individual calls and give a more accurate figure.
    By evaluating the types of incidents with call duration, a more refined picture of cost per call by types arises and gives an indication of which incident types tend to cost more to resolve and possible targets for improvements.

- Percentage of customer or user updates conducted within target times, as defined in SLA targets

- Average time to review and close a resolved call

- The number of calls broken down by time of day and day or week, combined with the average call-time metric, is critical in determining the number of staff required.

## 4.8 OUTSOURCING – SERVICE LEVELS

## SERVICE LEVEL AGREEMENT (SLA)

**………………………**

**………………………**

Last Updated :
Control Number : ………………………
Version : 1.0

# DOCUMENT CONTROL

## Revision History:

| Date | Author | Version | Remarks |
|---|---|---|---|
| Date | Who Drafted | Draft 0.1 – 0.5 | Initial draft version(s) |
| | | 1.0 | |
| | | | |
| | | | |

## Reviewers:

(Updated in case of new revisions)

| Name | Role/Position | Version |
|---|---|---|
| | | |
| | | |
| | | |

## Distribution List:

| Name | Role/Position | Version |
|---|---|---|
| | | |
| | | |
| | | |

## APPROVAL SHEET

This Service Level Agreement (SLA) is formalized and negotiated between:

……………………….

And

IT Operations

This Service Level Agreement is valid related to the scope of the services and service delivery conditions described in this document.

Signature Sheet
By signing this agreement the responsible parties agree with the service provisioning as laid down and specified in this document.

This Service Level Agreement is drawn up by and between:

………………………. ……………………….

…………………………….
…………………………….

Name :
Name :
Title :
Title :
Organization :
Organization :

Date of Agreement:

## GENERAL

This Service Level Agreement (SLA) defines the Regional IT-Operations Services related to APPLICATION, which are provided by IT Operations to different branches/subsidiaries.

In order for IT Operations to deliver services and products to the branches/subsidiaries in a timely and effective manner, and to ensure that the service meets or exceeds the clients expectations, IT Operations and the client will jointly create and enter into an annual Service Level Agreement. These enable the business and IT Operations to:

- Have a clear frame of reference on the agreed service level
- Have an objective insight into the performance of operations
- Be assured of a high level of service quality
- Establish a dialogue through structured Service Level Agreement status reports, review meetings and evaluations
- To define an agreed set of responsibilities and procedures

The business environments and requirements inevitably change, and therefore, this SLA needs to define a continuous improvement process to ensure that the support agreement keeps pace with the reality of business requirements. This SLA will be reviewed based on the SLA Review Meetings and the yearly Relationship and Satisfaction Evaluation.

IT Operations translates this SLA into subsequent Service Provisioning Agreements (SPA) and underpinning contracts (UC) with other service providers and suppliers within the service delivery chain. See appendix 0 with associated service contracts.

### DEFINITIONS

***Customer***

- The individual branches/subsidiaries (countries) which are serviced by IT-Operations are referred to as "*customer*" throughout this document. For each customer a SLA addendum is created, which is a separate document defining the specific conditions and arrangements of the individual countries. See appendix 0 with list of customers.

***Regional IT-Operations***

- The departments of IT Operations delivering regional processing services are referred to as "*Regional IT-Operations*" throughout this document.

## SERVICE DESCRIPTION

Regional IT Operations offers on-line transaction processing for daily operations as well as for all required batch processing of a number of customers (branches/subsidiaries). Regional IT Operations will ensure the availability and performance levels as defined in this SLA.

Regional IT-Operations is responsible for the provisioning of the APPLICATION platform to provide:

- Uninterrupted on-line APPLICATION transaction processing during business hours of the serviced branch.
- Perform associated batch processing (End-of-Day) and report generation in a timely and correct manner.

Regional IT-Operations manages the standard computing platform (APPLICATION) for core business applications including the underlying technical infrastructure and will provide support for that platform to help the business to achieve maximum availability and performance.

This document defines the Regional IT-Operations Services, delivery conditions and service levels which are valid for all customers (serviced branches/subsidiaries). For each involved customer a SLA-addendum is created and signed by the representative of the customer. Thus for each individual customer specific conditions can be added to cope with local practices and specificity's.

Appendix 0 contains the reference to the SLA-addendum for specific customers.

## DURATION OF SLA

The SLA is in effect from ………………………through ………………………The SLA is automatically renewed each year after revisions have been approved by both parties.

## INVOLVED PARTIES

***CUSTOMER:***

| | |
|---|---|
| Company : | Company : |
| Organization : | Organization : |
| Department : | Department : |
| Address : | Address : |
| Location : | Location : |

| | |
|---|---|
| Represented by : | Represented by : |
| Title : | Title : |
| Role : | Role : |

***SUPPLIER:***

Company :
Organization Department :
Address :
Location :

Represented by :
Title :
Telephone :

***INVOLVED CUSTOMERS (BRANCHES/SUBSIDIARIES):***

The Coordinating Business Representative represents the business owner of the involved customers. The complete list of involved customers part of this SLA is mentioned in appendix 0.

## RELATED DOCUMENTS

The following documents are related to this SLA.

Documents of the customer:

| DOCUMENT | DATE/VERSION | REFERENCE |
|---|---|---|
| | | |
| | | |
| | | |

Documents of the supplier:

| DOCUMENT | DATE/VERSION | REFERENCE |
|---|---|---|
| Service Quality Plan (SQP) | | SQP-0001 |
| | | |
| | | |

## SLA MANAGEMENT AND MAINTENANCE

This paragraph states the policy for updates and changes to the SLA document. This SLA must be viewed as one integrated document, and all changes need to be agreed upon by both parties, as defined in the approval sheet (page 103).

Version control and management of the SLA is responsibility of the IT/Relationship Manager of Regional IT-Operations. The IT/Relationship Manager shall own this SLA and make any agreed necessary changes to its content. Changes to the SLA are discussed and approved during the SLA Review Meeting, which are organized each half-year period. The purpose of this meeting is to review compliance with the SLA. This meeting is also the forum for developing changes to the SLA to reflect changes in the business and IT environment.

The IT/Relationship Manager, together with the Coordinating Business Representative, will update the Service Level Agreement and/or contract, taking into account the agreements that have been modified since the previous version of the document was produced. The new contracts will be reviewed, possibly modified, and then signed-off by the IT/Relationship Manager, the Coordinating Business Representative and any other relevant parties.

Changes can be initiated by both parties and if necessary an interim SLA Review Meeting can be scheduled by the IT/Relationship Manager to update the SLA.

## COMMUNICATION STRUCTURE

Both parties have agreed to execute the following communication and reporting activities in order to accomplish the goals of this Service Level Agreement

**Tactical Level Reporting: Periodic Service Level Reporting:**

| Meeting/Reporting | Frequency (per year) | Target |
|---|---|---|
| Service Level Reports (SLR) | 12 | Countries, CBR * |
| Quarterly Service Review Meetings (SRM) | 4 | CBR |
| SLA Review Meetings (SLAM) | 2 | CBR, Countries |
| Yearly Benchmark Results | 1 | CBR |
| Security Audits (SA) | 1 | CBR, Countries |
| Yearly Relationship and Satisfaction Evaluation (RSE) | 1 | CBR, Countries |

* CBR = Coordinating Business Representative.

*Remark: The above mentioned meetings will be combined as much as possible (in case of identical target stakeholders and time lines).*

**Operational Level Reporting: Reporting directly to customers (individual branches/subsidiaries):**

| Meeting/Reporting | Description | Target |
|---|---|---|
| Daily activity report (DAR) | Resulting from the daily operations processes, incident, problem, change and configuration management. Focus on exceptions. | Countries |
| Change Schedule Report (CSR) | Output of the release management and change management process. | Countries |
| Operational Incident, Problem and Change Meetings | Regular meetings related to the operational processes with individual countries. | Countries |
| Ad-Hoc Reports | Resulting from incident management process (escalations, crisis management, contingencies, etc). | Countries, CBR |

Furthermore, it is agreed that suggestions and complaints will be communicated to the IT/Relationship Manager without hesitation.

## Monthly Service Level Report (SLR)

| | |
|---|---|
| **What** | A document reporting the agreements and the extent to which these have been fulfilled in the last month. Report service level metrics per customer: system and network availability report, incident management report (overview of incidents per category, impact, etc.), incident statistics (outages, average resolution time), work load/performance trends, reports on escalations, metrics from change management (e.g. overview of changes, date/time, results, etc.) and problem management metrics. |
| **When** | Regional IT-Operations will forward a SLR each month within one week after the end of the month to the Coordinating Business Representative. The reports will be made available electronically (published on the web) for all involved customers. |
| **Who** | The IT/Relationship Manager will distribute the report. |
| **Goal** | To give the customer an objective insight into the performance in the last month in terms of the service metrics defined in the SLA. |

## Quarterly Service Review Meetings (SRM)

| | |
|---|---|
| **What** | A face to face meeting during which the Monthly Service Level Reports (SLR) of the last quarter will be reviewed. The objective of this task is to ensure that all parties concerned are fully aware of the status of the service and to agree on the direction that should be taken for all issues and concerns regarding the service. Advice on operational changes in the organizations of both parties will be discussed. |
| **When** | Within three weeks after the end of a three month period. |
| **Who** | The IT/Relationship Manager will arrange and conduct the meeting with representatives of the customers and the Coordinating Business Representative. |
| **Goal** | To have a dialogue and to examine ways of potential improvement, in order to ensure a consistent high level of Service Quality. The objective of the SLA review meeting is to ensure that the contractual documents accurately reflect the business requirements for the service. Specific issues from the previous period can also be analyzed and discussed in detail. Client feedback on areas where the service offered by IT Operations can be improved will be discussed. |

## Security Audits (SA)

| | |
|---|---|
| **What** | A security audit is conducted to check that the environment and services are optimized to meet the security requirements of the business. |
| **When** | Once a year, within six weeks after the end of a year period. |
| **Who** | Group Audit (GA) will arrange and conduct the security audit, and distribute the results to the IT/Relationship Manager. The IT/Relationship Manager will publish the reports to the customers, and schedule the audit report on the agenda for the next SLA Review Meeting. |
| **Goal** | To provide insight in the security aspects of the Regional IT-Operations |

| | |
|---|---|
| | service offering, and determine areas for improvement. |

**Benchmark Review**

| | |
|---|---|
| **What** | The benchmark evaluations are used to check whether Regional IT-operations performs its processing services at market conform costs and service levels. |
| **When** | The benchmarks are conducted prior to the ending of each operations year, and results are discussed during the SLA Review Meeting. |
| **Who** | The IT/Relationship Manager will arrange the benchmarks, and hand-over the results at least 2 weeks before the SLA Review Meeting. |
| **Goal** | Check service and cost levels related to industry and competitive norms. |

**SLA Review Meetings (SLAM)**

| | |
|---|---|
| **What** | A face to face meeting during which the service levels of the 6 months will be reviewed, including the previous security audit and benchmark results. Changes to the SLA will be discussed. Areas needing improvement will be identified and an action plan to raise the service level will be developed and agreed upon. |
| **When** | Within three weeks after the end of a six month period. |
| **Who** | The IT/Relationship Manager will arrange and conduct the meeting. |
| **Goal** | To have a dialogue and to examine ways of potential improvement, in order to ensure a consistent high level of service quality, at acceptable cost levels. The agenda of these meetings will be to provide a forum where the client can discuss the quality and costs of the service currently being provided by IT Operations, and the content of the SLA. |

**Yearly Relationship and Satisfaction Evaluation (RSE)**

| | |
|---|---|
| **What** | A face to face meeting with representatives of the customer organization evaluating the passed year’s events in relation to the SLA. An action plan will be agreed for the following year. These review meetings will be held on strategic, tactical and operational levels. In all cases both parties of the agreement will be represented. The objective of this task is for the IT/Relationship Manager to have the Customer's opinion on how Regional IT-Operations is delivering against the Customer satisfaction criteria. The IT/Relationship Manager will conduct the satisfaction survey. The findings will be reviewed with the Account Management and Service Team Members as required, and results sent to the Coordinating Business Representative. |
| **When** | Once a year, six weeks before the SLA expiration date. |
| **Who** | The IT/Relationship Manager will arrange and conduct the meeting with representatives of the different customers. |
| **Goal** | • To evaluate the quality of the service and, if necessary revise the service level or associated costs<br>• to determine client satisfaction with several aspects of the services delivered |

| | |
|---|---|
| | • to determine further expectations<br>• update long term planning, including anticipated growth (review capacity plan and service planning)<br>• identify specific areas of improvement<br>• an agreed action plan<br>• review and update the service quality plan (SQP) |

## PROFILE OF INVOLVED PARTIES

This paragraph describes the roles, tasks and responsibilities of involved parties.

### PROFILE INTERNATIONAL DIVISION

The following roles within International Division will be defined related to this Service Level Agreement:

- Role of the Coordinating Business Representative (CBR)
- Role of the individual customers

### TASKS AND RESPONSIBILITIES COORDINATING BUSINESSREPRESENTATIVE

The coordinating business representative (acting as business owner) has the following responsibilities and tasks:

| Tasks | Responsibilities |
|---|---|
| Approve the yearly budget as prepared by Regional IT-Operations. | Responsible for the approval of yearly budget. |
| Prepare and define budget allocation per customer. | Responsible for budget allocation and charging the cost to the different countries. |
| Divide costs and produce invoices to the involved customers (actual invoicing is executed by Planning & Control International Division). | *Remark: Cost deviations (e.g. due to additional services, unforeseen investments, etc.) are approved and committed with countrie(s) and Coordinating Business Representative before they can actually be executed.* |
| Produce cost management reports / allocation reports. | |
| Maintain service planning and define the consolidation plan to incorporate new customers. | Responsible for the service planning process, investment policy and funding of the service plan (related to new countries, business volumetrics, anticipated growth and new services). |

| Tasks | Responsibilities |
|---|---|
| | |
| Define the business cases for improvement areas (input for the SQP). | Responsible for defining improvement areas in terms of the business. |
| Review and approval of the service quality plan (SQP). | |
| Approval of project budgets. | |
| Maintain contact with representatives from the different countries. Define and maintain reporting structure and communication lines. | Responsible for communication with the different representatives of the involved customers. |
| Distributing service reports to the involved customers. | |
| Representing the different customers at the strategic and tactical service meetings as defined in paragraph 0 (e.g. SLA Review Meetings). | |
| In conjunction with RIM coordinate and consolidate business requirements, and define business functions for the region. | Legal and tax aspects of the SLA related to the different countries. |

**TASKS AND RESPONSIBILITIES OF CUSTOMER**

Tasks and responsibilities of each individual customer (branch/subsidiary):

| Tasks | Responsibilities |
|---|---|
| Keep available a contact person outside office-hours to support critical system incidents. | Responsible for maintaining the security and integrity of own terminals and all other means of access to the system from the customer's premises. |
| Report any operations related incidents to the Network Support Helpdesk. | |
| Cooperating with Regional IT-Operations to improve efficiency after implementation of new applications | |
| Advise Regional IT-Operations at least a week in advance if the customer has planned to work on a non-working day. | |
| Advise Regional IT-Operations as | Responsible for the costs of the |

| Tasks | Responsibilities |
|---|---|
| early as possible the necessary temporary revision of service hours so as to allow Regional IT-Operations to have adequate time to make the necessary arrangement. | provisioning of the services provided by Regional IT-Operations. Costs are allocated to individual customers through the “Coordinating Business Representative”.<br><br>*Remark: Cost deviations (e.g. due to additional services, unforeseen investments, etc.) are approved by the countrie(s) and Coordinating Business Representative before they can actually be executed.* |
| Install and maintain at each customer at cost of the customer all necessary telecommunications equipment, terminals and printers to enable the customer to access the Regional IT-Operations infrastructure. | Responsible for the costs of providing, installing and maintaining at the customer premises telecommunications equipment, printers and terminals linking its computer system with the Regional IT-Operations infrastructure, and for the conveyance by such equipment of all messages and data transmissions to and from Regional IT-Operations Infrastructure. |
| Forecasting business volumes accurately and in a timely manner | |
| At all times comply with the procedures and the reasonable instructions requirements and recommendations of Regional IT-Operations in connection with the provision of the services. | Responsible for the preparation and input of the Customer's data. |

## PROFILE REGIONAL IT-OPERATIONS

The core-process of IT Operations is to provide IT-Services conform the agreed SLA's at predefined and controllable cost levels. The primary goals of IT Operations are to providing value-added IT-services by which ………………. can create a sustainable competitive advantage and support its strategy in the market place.

Critical Success Factors:

- Manage and deliver IT-services to support the business strategy (Business – IT alignment)
- Service delivery and operations at competitive costs (control over cost levels)
- Short time-to-market of new IT-services which are needed by the business (innovation)
- High quality of services (predictable service levels according to the SLA's)

The mission of Operations can be defined as follows:

*"Operations provides continuous availability of the IT-services with adequate security levels. An operation provides its services at market conform costs. Maximum customer satisfaction and supporting the success of the ……………….are the central themes in its service delivery."*

IT Operations differentiates itself by the following:

- Providing IT-services in terms of the business
- Security Management (provide adequate security measures)
- Availability (predictable service levels)
- Efficiency (control of the cost levels)
- Time-to-market of new IT-services and processes
- Human Resource Management (HRM)
- Globalization of IT Operations

## TASKS AND RESPONSIBILITIES OF REGIONAL IT-OPERATIONS

General tasks and responsibilities of Regional IT-Operations are defined as follows:

| Tasks | Responsibilities |
|---|---|
| Offer the agreed services within the defined service windows of the customers. | Maintain adequate staff, equipment and other resources, and carry out all necessary servicing, maintenance and repairs to its own facilities, equipment and systems, as may be required to provide the Services in accordance with this SLA. |

| Tasks | Responsibilities |
| --- | --- |
| Provide 7 x 24 hours monitoring and support to respond to critical system incidents and exceptions. | |
| Monitor the execution processes of the daily batch run and perform all housekeeping activities (e.g. backup). | Obtain authorization from the Customer defined responsible personnel for additions, upgrades, deletions or amendments to the system. |
| Arrange fallback-facilities in case of a disaster. Maintain as an integral part of the services a suitable disaster recovery and fallback facility to enable the customer to continue in the event of any natural or man-made disaster or similar reason preventing access to the System. | Initiate escalations/crisis management procedures in case of disasters/inform IT/Relationship Manager. |
| Produce and distribute periodic reports to provide insight in achieved service levels. | Reporting on Service Levels (SLR). |
| Provide, on request, full logs of system operation. | Comply with confidentiality in relation to all information contained in the System and data transferred to it; in accordance with the security guidelines set forth in the service quality plan. |
| Consolidate new customers within the infrastructure of Regional IT-Operations according to the consolidation planning defined by the Coordinating Business Representative. The consolidation of a new customer is defined as a separate project. | Obtain authorization from the Customer defined responsible personnel for additions, upgrades, deletions or amendments to the system. |

## TASKS AND RESPONSIBILITIES OF IT/RELATIONSHIP MANAGER

The IT/Relationship Manager has the following responsibilities and tasks:

| Tasks | Responsibilities |
| --- | --- |
| Develop and maintain Service Plan (deliverable of the service planning process). | Responsible for service planning of Regional IT-Operations (e.g. adding new countries). |
| Maintain Service Quality Plan (SQP) and define service improvement measures. | Responsible for defining service improvement areas. |
| | Responsible for quality management. |

| Tasks | Responsibilities |
|---|---|
| | |
| Organize and facilitate Service Level Meetings/SLA Reviews (as defined in paragraph 0). | Responsible for organizing tactical service meetings (e.g. SLA Review Meeting). |
| Produce and distribute Service Reports as defined in this document. | Responsible for communication with the business representatives. |
| Review, update and maintain SLA. | Responsible for maintaining the SLA. |
| Approval of cost budget and expenses within Regional IT-Operations. | Responsible for defining budgets and cost structure. |
| Prepare and define budget allocation, finalize in July each year with Coordinating Business Representative, including planned investments. | |
| Report yearly costs, expenses and realization (in January each year). | |
| Keep involved parties informed about achieved service levels, costs and changes. | Responsible for negotiating and formalizing service provisioning agreements and underpinning contracts. |
| Assure efficient and effective communication lines between Regional IT-Operations and involved parties. | Responsible for customer relationship management. |
| Make decision to activate calamity plan/contingency procedures are case of calamities. | |

# JURIDICAL AND FINANCIAL ASPECTS

This chapter defines the juridical and financial aspects related to the provisioning of the services mentioned in this SLA.

## JURIDICAL ASPECTS

Regional IT-Operations is only responsible for the problems, imperfections and negligence, which are in the scope of the IT-services mentioned in this document and associated service levels, provided that the involved parties comply to the defined procedures and conditions.

## CALAMITIES

A calamity is an unplanned situation by which the expected downtime of one or more services will exceed defined thresholds and for which the services are disrupted is such a manner that regular recovery procedures are unsuitable.

The IT/Relationship Manager decides upon the situation, and determines whether to trigger the “calamity plan/crisis management procedures”. Regional IT-Operations will inform all involved parties and keep them up-to-date of the progress of restoration of the service level. During the calamity, Regional IT-Operations cannot guarantee the service levels defined in this document.

## ADMINISTRATION

The financial administration and invoicing is performed by ……………………….). ……………………….handles the charge back of all Regional IT-Operations related costs and expenses. ………………………. creates the invoices for the different countries, based upon the total costs defined by Regional IT-Operations and the cost allocation made by the Coordinating Business Representative.

……………………….is responsible for:

- handling invoices related hardware and software;
- invoices related to hiring external employees for Regional IT-Operations (e.g. project based);
- invoices related to other costs and expenses made by Regional IT-Operations;
- Calculation of deprecations.

Calculation of staff-cost will be administered by Regional IT-Operations and charged to ……………………….

## COSTS

This section addresses the costing, accounting, invoicing and payment related to the services mentioned in this SLA.

The direct costs related to hardware and software depreciation, network costs and branch specific maintenance activities are allocated to individual customers.

The operations and support staff costs for exploitation and maintenance of the Regional IT-Operations infrastructure are shared among the participating countries. The costs related to personnel are fixed up to 20 APPLICATION environments. Staff costs can be adjusted due to inflation and salary raises.

Cost deviations (e.g. due to additional services, unforeseen investments, etc.) should be committed with countrie(s) and Coordinating Business Representative before they can actually be executed.

**INVOICING**

The costs will be invoiced to the Customer on a quarterly basis, in the local currency of Regional IT-Operations. At the end of each calendar year, a definitive calculation will be made for that year and will be put in the last quarter's invoice.

The actual against budget calculations are determined throughout the year and when necessary the charge-out is adjusted when a structural variance becomes apparent.

**PAYMENT**

Payments take place according to the rules of ……………………… Bank and will be effected in accordance with the definition contained in this SLA.

**ACCOUNTING**

The following major cost categories are distinguished:

| Cost Categories | | Remarks |
|---|---|---|
| Staff costs | | Fixed up to twenty (20) AS/400 systems.<br>Costs including salaries, bonuses, training and education.<br><br>Remark: the salary costs can increase yearly due to inflation correction and salary raises. |
| Traveling | | Costs related to traveling and hotel expenses. |
| Housing | | Costs of computer room (per square meter per year) |
| Communications | | Cost of telephone and data supplies. |
| Maintenance and support contracts | | Costs related to maintenance and support contracts (e.g. hardware maintenance and support contracts, Tivoli maintenance and support). |
| Infrastructure depreciation (hardware/software, incl. system management tools) | | Depreciation of hardware and software (e.g. the AS/400, infrastructure components, software, etc.). |

In January each year the expenses and realization of last year are published and reviewed.

The costs of projects (e.g. based upon the Service Quality Plan) committed by the customer and Coordinating Business Representative are calculated and charged separately.

The following table shows the budget of the year 2000.

| P & L Number | Description | Regional IT-Operations Budget (in ? x 1000) |
|---|---|---|
| 50.05.010 | Salaries (1380 hours; 150 Cost/Hour) | **2,112** |
| 50.10.040 | Bonuses | 0 |
| 50.20.010 | Donations pension fund | 0 |
| 50.25.990 | Dismissal payments | 0 |
| 50.30.010 | Premium social security laws | 0 |
| 50.35.010 | Hired personnel and sundries | 0 |
| 50.40.990 | Sundries | **0** |
| 60.05.050 | Costs of representation | 0 |
| 60.05.060 | Membership fees | 0 |
| 60.05.990 | Sundries | 0 |
| 60.10.010 | Staff training | 0 |
| 60.15.030 | Costs re lease cars | 0 |
| 60.50.030 | Advertisements for personnel | 0 |
| | **STAFF** | **2,112** |
| 60.15.020 | Travelling & hotel expenses (business trips) | 63 |
| | **TRAVELING** | **63** |
| 60.20.010 | Rent & lease office premises | 0 |
| 60.20.010 | Rent & lease computer room | 288 |
| 60.20.990 | Sundries office | 0 |
| 60.20.990 | Sundries computer room | 106 |
| 60.25.020 | Stationary / printed matter | 0 |
| 60.25.040 | Exploitation office-machinery | 0 |
| | **HOUSING** | **394** |
| | **STAFFING, TRAVELING AND HOUSING** | **2,569** |
| 60.30.030 | Telephone/telex/telefax charges | 7 |
| 60.30.060 | Data suppliers | 370 |
| | **COMMUNICATIONS** | **377** |
| | **COMMUNICATIONS** | **377** |
| 60.40.020 | Hardware maintenance | 908 |
| 60.40.020 | Tivoli charged costs | 230 |
| 60.40.990 | Sundries | 311 |
| | **AUTOMATION** | **1,449** |

| P & L Number | Description | Regional IT-Operations Budget (in ? x 1000) |
|---|---|---|
| 60.55.020 | Overhead charges Head Office | 0 |
| | **HEAD OFFICE OVERHEAD** | **0** |
| | **AUTOMATION** | **541** |
| 70.15.010<br>70.15.040<br>70.20.040 | Depreciation hardware<br>Depreciation software 3rd part.<br>Other office machinery | 3,557<br>156<br>0 |
| | **DEPRECIATION** | **3,713** |
| | **DEPRECIATION** | **3,713** |
| | **TOTAL COST** | **8,108** |

The budget will be reviewed and adjusted each year.

## SERVICE DEFINITION AND SERVICE LEVELS

### DESCRIPTION

This paragraph defines the services provided by Regional IT-Operations for the production environments of the different customers, as defined in appendix 0.

This section also defines the specific measurable service level metrics (e.g. performance, availability, etc.) that IT Operations agreed to meet.

The conditions and service levels mentioned in this paragraph are valid for all branches part of this contract, any exceptions or additions for individual customers are described in a separate SLA-addendum as defined in appendix 0.

### FUNCTIONALITY

Regional IT-Operations offers computer services for daily operations as well as for all required batch processing to foreign ……………………….branches. Branches/subsidiaries which are using this service will be referred to as customer and will not have an AS/400 system (APPLICATION platform) locally installed for production processing purpose.

The provided IT-services deliver the following functionality to the branches/subsidiary:

- On-line transaction processing during the business hours (interactive service windows);
- Managing and executing the associated batch processing, such as End-of-Day.

Management and maintenance of the AS/400 system, the underlying technical infrastructure as well as the End-Off-Day (EOD) batch processing activities are performed by the IT Operations staff. Regional IT-Operations is responsible for the IBM AS/400 system and its data objects on behalf of the customer.

## ACTIVITIES

The following activities are related to the provisioning of the Regional IT-Operations services.

These activities/processes are defined in more detail in appendix 0.

## 7 x 24 OPERATIONS MANAGEMENT

The following activities/processes are part of 7 x 24 Operations Management:

| Process/Activity | Description | Remarks |
|---|---|---|
| 24 x 7 hours operations | Systems and Operations Management and monitoring/event handling. | 24 hours monitoring and alerting using Tivoli (incident detection). |
| Perform daily operational tasks | Execution of daily and periodic operational tasks (e.g. job scheduling, system management tasks, maintenance jobs). | |
| Perform APPLICATION end-of-day / start-of-day processes | Execution and monitoring of batch jobs (production processes). | |
| Perform backup/restore and storage management. | Backup of business and system data, including off-site storage. Restore data. | |
| Guarantee availability in case of hardware failures | Manage the daily on-line availability and performance of the system, and timely execution of batch processes. | |
| Security Administration | Manage the day-to-day security of the system and data (execution of security measures). | |

## SERVICE SUPPORT

Operational and administrative management and support on the Regional IT-Operations infrastructure of the customer related environment.

The areas to be managed are:

| Process/Activity | Description | Remarks |
|---|---|---|
| Call Management | Provide end-user support (service desk). | |
| Incident management | Perform incident analyses, diagnoses and incident solving, proactive detection of incidents (events detected by Tivoli), initiate escalations/crisis management procedures in case of emergencies. | |
| Problem management | Prevent the re-occurrence of incidents; define improvements through the change management process. | |
| Configuration management | Register, manage and control the configuration of provided IT-services, maintain an up-to-date configuration management database (CMDB), provide status accounting and verification. | |
| Test and Acceptance | Ensure that manageability and operational criteria are met before taking changes into production (except for APPLICATION applications). | |
| Change execution | Execute approved configuration changes related to the installation of new software (upgrades) or fixes/workarounds. | Required approval by customer. |
| Software Control and Distribution | Manage the approved distribution, installation and activation of new software releases, versions, patches/fixes, etc. as defined by the change management process. | Required approval by customer. |

## REGIONAL SERVICE MANAGEMENT

The following activities/processes are part of Regional Service Management:

| Process/Activity | Description | Remarks |
|---|---|---|
| Service Planning | Plan service delivery to for example new countries (relationship with Capacity Management). Define additions in the service portfolio. | |
| Quality Management | Develop and maintain defined quality guidelines and procedures, maintain quality handbook, review processes and procedures. | |
| Service Level Management | Maintain the service catalogue (SCAT), Identify service level requirements, Define (or re-define), negotiate and formalize the required service levels agreements (SLA), monitor and reviewing delivered services, report achieved service levels (Service Level Reporting). | |
| Customer Relationship Management/ Account Management | Manage the relationship with the customers (the different representatives of the branches, and the coordinating business representative). | |
| Change Management | Authorizing and scheduling of changes, defining changes, determine impact upon service levels, associated costs, etc. | |
| Contingency Planning | Define operations and business risks, Develop and maintain contingency plan, test and evaluate contingency plan and procedures, initiate risk management measures. | |
| Availability Management | Evaluate availability metrics according to the SLA, determine availability requirements, evaluate and produce availability plan (including contingency, security aspects), collect and report availability data. | |
| Security Management | Define security requirements, define, evaluate and manage security policies, procedures and measures. | |
| Capacity Management | Develop capacity plan, monitor and analyze performance trends and resource usage, manage the demand and available resources, producing | |

| | | |
|---|---|---|
| | reports (trends, forecasts). | |
| Cost Management | Establish cost policies, monitor and approve expenditures/investments and control the budget. Ensure funding of projects. | |
| Supplier Management | Manage relationship with suppliers and other service providers, negotiate and maintain service provisioning agreements (SPA). | |
| Consolidation of new customers. | Consolidate new customers conform the consolidation planning as defined by the Coordinating Business Representative. The consolidation process is defined as a separate project approved by the Coordinating Business Representative. | |

## IT-COMPONENTS

This paragraph defines the boundaries of the service responsibility of the Regional IT-Operations organization, and thus the services described in this SLA.

The technical scope of this SLA is from the central AS/400 server, up to the National Network environment, including all intermediate infrastructures, as shown in the following picture:

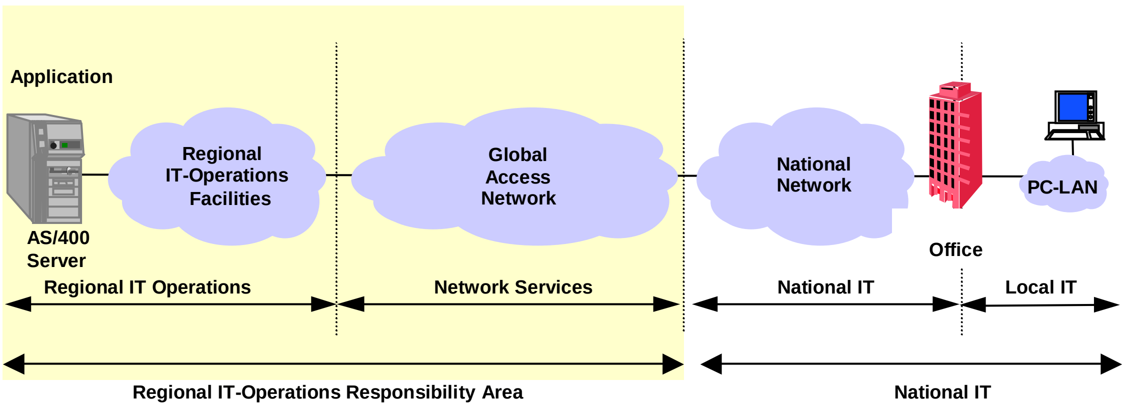



**Figure 1: Definition of Responsibility Boundaries.**

As shown in the picture the network connectivity from the central AS/400 to the customer consists of the Local Area Network in ………………………, the Global Access Network (GAN), the national network of the country, and a local area network with the end-user desktops.

The maintenance and support of the network connectivity from the AS/400 to the National Network of each customer is part of this SLA and thus a primary responsibility of Regional IT-Operations (as shown in the picture above). Regional IT-Operations formalizes a service provisioning agreement (SPA) with Corporate Networking (CN) related to the network management services.

The National Network and the Local Area Network at the customer site is the responsibility of the customer (National IT). Assistance of the customer may be necessary in the event of incidents in the serviced country end.

Regional IT-Operations responsibility boundaries for the service include the following elements and interfaces:

- The AS/400 production environment (APPLICATION , excluding test environments)
- The network connectivity between the central AS/400 system and the National Network at the customer site.

The customer responsibility boundaries for the service include (but are not limited to) the following elements and interfaces:

- National Network (responsibility of National IT)
- The Local Area Network connectivity (responsibility of the local IT or national IT)
- The desktop and local servers
- Local printing facilities

The Regional IT-Operations infrastructure consists of two, physically separate, sites and each site houses AS/400 systems for a set of customers.

The delivered Regional IT-Operations services are de-composed into the following configuration items (CI's):

| Name | Type | Location | Description |
|---|---|---|---|
| APPLICATION (and related components) | APPLICATION Business Applications | Regional IT-Operations | Business Applications running on the AS/400 platform. |
| IBM AS/400 | Production Platform | Regional IT-Operations | Regional IT-Operations has a dedicated AS/400 system for each customer. |
| Regional IT-Operations Local Area Network | Network Connectivity | Regional IT-Operations | Connection between Regional IT-Operations and the Global Access Network |

| | | | |
|---|---|---|---|
| (LAN) | | | and Operator workstations. Local Area Network at ……………………… |
| Global Access Network (GAN) | Network Connectivity | Connection between Regional IT-Operations and National Network. | Each customer is connected to the AS/400 at the Regional IT-Operations by the GAN infrastructure, with applicable backup measures. |
| Operator Workstations | Workstation | Regional IT-Operations | Workstations for monitoring, system management and maintenance tasks. |
| Tivoli Framework/Agents | System Management Tool | Regional IT-Operations | Tivoli agent installed on each managed AS/400 system for monitoring, event management and execution of operational tasks. |
| Regional Printers | Printer | Regional IT-Operations | System printers shared among AS/400s within the Regional IT-Operations site. |

## RELATIONS AND DEPENDENCIES

The IT-Services defined in this SLA are dependent upon the following services (Local IT-infrastructure):

| Name | Type | Location | Description |
|---|---|---|---|
| National Network | Network Connectivity | Connection between the GAN and the Local Area Network of the local offices. | The network services within a country of a customer (excluding the local area network on a specific site or location).<br><br>Responsibility of National IT. |
| Local IT-Infrastructure, e.g. Local Area Network (LAN) | Network Connectivity | Branch | Responsibility of National or Local IT. |
| Production Printers | Printer | Branch | Daily report production at the customer site. |
| LAN Servers | Server | Branch | Responsibility of National or Local IT. |
| End-User Desktops | Desktop | Branch | Responsibility of National or Local IT. |

## SERVICE LEVEL BREAKDOWN

This paragraph gives an overview of the different SLA-components of the delivered services and the associated target service levels.

### DEFINITIONS

See following table with definitions:

| Item | Definition (*) |
|---|---|
| Working Day | Depending upon specific customer/country.<br><br>In general: *Monday to Friday (except holidays).* |
| Non-Working Day | Depending upon specific customer/country.<br><br>In general: *Saturday, Sunday and Holidays* |
| Interactive Service Window | Depending upon specific customer/country.<br><br>In general: 07:30 till 18:00 (local time) on working days. |
| Non-Interactive Service Window (Batch Window) | Depending upon specific customer/country.<br><br>In general: 18:00 till 07:30 (local time) |
| Service Monitoring Window | Hours that the services are monitored at the Regional IT-Operations office. In general: 24 x 7 hours. |

**** Dependent upon specific customer. See SLA addendum of each individual customer for details of the service window, working days and holiday calendar per individual country (see appendix 0).***

### SERVICE WINDOWS

The operations are basically 24 hours a day, 7 days a week and 365 days a year, excluding maintenance windows. The Regional IT-operations staff can be contacted 7 days a week, 24 hours a day.

The on-line transaction services are available in the “interactive period” as defined in the following table:

**Interactive Service Window (defined in local time of the customer):**

| Period | General Hours of operation * | Remarks |
|---|---|---|
| Working Day | 07:30 to 18:00 (local time) * | Interactive period * |
| Non-Working Day | | Not available (See maintenance window) ** |

* *Determined per country in SLA-addendum (see appendix 0).*

*** The customer is requested to advice Regional IT-Operations at least 4 days in advance of a*
*Necessary temporary revision of service hours so as to allow Regional IT-Operations to have*
*Adequate time to make the necessary arrangement.*

From 18:00 until 07:30 the next day (Customer local time) the system is not available for the Customer, this referred to as the non-interactive period. During these hours the end-of-day (EOD) processing is performed by the Regional IT-Operations.

**Non-Interactive period/Batch Processing Window (defined in local time of the customer):**

| Period | Batch Window | Remarks |
|---|---|---|
| Working Day | 18:00 to 07:30 (local time) | Non-interactive period |
| Non-Working Day | - | Not available, only to complete the EOD. |

For incidental late finishing of the interactive period, the Customer should inform Regional IT-Operations of this occasion and expected finishing time, at least two hours before the end of the interactive period, so adequate measures can be taken in respect to staffing.

For structural late finishing of the interactive period, a review of the costs associated with the SLA is necessary. This case lead to increasing fee due to additional staffing costs involved.

If the daily confirmation message is not received before the end of the interactive period without previous notice, the Regional IT-Operations Service Desk will contact the customer's authorized persons.

**AVAILABILITY**

The on-line transaction service shall be available during the "interactive service window" defined in the previous paragraph.

Availability depends on the day of the week (working-day or non-working day) and the time of the day on working-days (interactive or non-interactive hours) defined for each individual customer.

The on-line service is accessible for end-users within the appointed interactive service window. The availability of the on-line transactions services are determined as follows:

**On-line transaction Service Targets**

| Service | Period | Typical Availability | Mean Time to Repair | Exceptions |
|---|---|---|---|---|
| On-line Transaction Processing | Interactive Service Window | 99%, reported per month | 2 hours (for priority 1 incidents) | Maximum of 10 critical incidents per year (priority 1) which take up between 2 and 4 hours to repair (with the exception of disasters/ calamities or contingencies). |

** Typical availability is the expected availability of the on-line transaction processing facilities.*

**Batch processing Service Targets**

| Service | Deadline | Conditions | Target Metric |
|---|---|---|---|
| End-of-Day Processing | Batch processing is completed at least one-hour before start of the interactive period (06:30 PM local time). | On-time reception of the daily confirmation message related to the finishing of customer on-line processing (before 8.00 PM local time). | 95% on time, reported per month. |

## SERVICE MONITORING

The objective of service monitoring is to effect the smooth identification (proactive) and facilitation of the resolution of incidents as they may arise during the operations. The IT services are continuously monitored by Regional IT-Operations staff and system management tools based upon the Tivoli Framework. In case of exceptions, the responsible operations staff is automatically notified.

Affected user groups will be notified (through phone or e-mail) of any incident that could affect user productivity.

In normal circumstances, the system will be attended by Regional IT operators in all working days of the serviced branches/subsidiary as defined in the SLA-addendum for each customer (see appendix 0).

Monitoring is performed by CSM, 24 x 7 hours, including non-working days. In case of incidents detected the responsible Regional IT staff is notified.

## CONTINGENCY

A backup facility or contingency site will be employed when critical intervals are reached.

The maximum time for this facility to be operational is 24 hours. During this period affected user-groups are kept informed about the progress.

Maximum loss of transaction data from the last backup window.

Contingency arrangements for:

1. Hardware failures: alternative AS/400 system
2. Network related problems or site disasters: alternative location

The contingency plan maintained by Regional IT-Operations defines the details of the procedures and arrangements.

## MAINTENANCE WINDOWS

The customer is informed about planned maintenance activities and planned changes at least 1 week in advance. A change schedule is maintained and published to all involved countries.

**Maintenance Window (defined in local time of the customer):**

| Period | Maintenance Window | Remarks |
|---|---|---|
| Monday to Friday (Working Day) | - | |
| Saturday | 07:30 to 24.00 (local time) | Maintenance period after finishing EOD and weekend processing. |
| Sunday | 00:00 to 24.00 (local time) | |
| Sunday (1st Sunday of the month) | 00:00 to 24.00 (local time) | First Sunday of every month the system is reserved for “dedicated” systems operations, e.g. full backup, monthly system purging, etc. |
| Holidays (Non-Working Day) – See SLA addendum of each individual country for | 07:30 to 24.00 (local time) or 00:00 to 24.00 (local time). | Maintenance period after finishing EOD and weekend processing. |

| Period | Maintenance Window | Remarks |
|---|---|---|
| details per country. | | |

Maintenance will be planned during the weekends for installation of PTFs, software changes, regular backups and disaster recovery rehearsals.

As soon as the weekend run and planned maintenance/changes have finished, the system can be made available for processing. However, if customers need to have access to the system during these maintenance windows, a request for these service hours must be made at least 4 working days in advance.

## PERFORMANCE

This paragraph defines the performance targets for the different IT-services provided by Regional IT-Operations.

## RESPONSE TIMES ON-LINE TRANSACTIONS

It is recognized that the "perceived response time" by end-users is the most critical performance measurement. However currently the response time targets are defined on only at the system and network level.

The following are the system performance parameters intended to achieve:

- Number of business transactions (workload);
- System response time;
- Data communication time/latency.

The targeted average **system response times** are shown in the following table:

| ***System Response Time*** | | |
|---|---|---|
| System response time (the time from when the software sub-system receives the transaction for the network, to the time subsystem passes the results back to the network for display to the user). | | |
| **Target Average System Response Time** | **Target Percentage of Transactions** | **Average Workload (business transactions measured per week).** |
| 2 seconds | 70 % of transactions | 40 |
| 3 seconds | 95 % of transactions | 40 |
| 5 seconds | 99 % of transactions | 40 |

The Performance Monitor Data Plan (PNOP, the performance statistics package on SCORE platform developed and supported by DI) measures system performance once per three consecutive working-days during two peak periods a day. One peak period is two hours.

Regional IT-Operations uses this figure as service level measurement. Regional IT-Operations collects this information and forwards it to DI for analysis. Based upon these performance metrics the system can be tuned and additional resources/capacity are planned (capacity planning process).

### Data Communication Performance (GAN)

The duration for communication delay has to be added to the system response time to derive the system response experienced by the user.

The communication delay (two directions) is dependent on the transport facility and is usually within the following range:

Terrestrial connection : 0.1 – 0.5 seconds;

Satellite connection : 0.7 - 1.2 seconds.

## SECURITY

The security measures that are implemented for this SLA are described in more detail in appendix 0.

## OUTPUT MANAGEMENT

Reports from the batch processes are available at least one-hour before start of the interactive period (see paragraph 0).

## SUPPORT

Call management is performed by the Network Support Helpdesk. The Network Support Helpdesk handles all customer incident, queries or requests for assistance. The Network Support Helpdesk solves the incident or routes incidents to the responsible service provider (for which Service Provisioning Agreements have been negotiated). The Network Help Desk thus provides a single point of contact for all users of APPLICATION systems.

| Support | Availability |
|---|---|
| Helpdesk/Service Desk | 7 x 24 hours (including weekends and holidays) |

Calls to the Network Support Helpdesk for assistance should be made through authorized person of the customer. Incidents, queries or requests for assistance on data processing operations related matters are forwarded by the Network Support Helpdesk to the Regional IT-Operations help desk.

The responsibility of Regional IT-Operations is to:

- register all incoming calls (incidents) via the Network Support Helpdesk
- classify and categorization of incidents (e.g. determine impact)
- resolve all operations related incidents
- perform incident control of all reported calls/incidents (monitor progress against target resolution times)
- notify affected countries and keep users informed about the progress
- generate incident management reports
- Initiate crisis management procedures, escalations and contingency procedures.

### Incident Determination and Solving

Incidents that are not immediately resolved by the help desk should be prioritized. Prioritization is based upon the impact upon the business processes and the maximum downtime per failure/incident (in case the whole system is unavailable during working hours).

### Classification of Priority Codes and Targeted Reaction & Resolution Time

The following table shows the targets of reaction and fault resolution times for each priority level:

| Impact | Priority Level | Reaction time (in hours) * | Resolution time (in hours) * | Escalation threshold (in hours) |
|---|---|---|---|---|
| Service not available (all users and functions unavailable). | 1 | immediate | 4 hours | 3 hours |
| Significant degradation of service (large number of users or business critical functions affected) | 2 | within 2 hours | 8 hours (one day) | 6 hours |
| Limited degradation of service (limited | 3 | within 8 hours | 40 hours (one week) | 34 hours (one week) |

| | | | | |
|---|---|---|---|---|
| number of users or functions affected, business process can continue). | | | | |
| Small service degradation (business process can continue, one user affected). | 4 | within 16 hours | 1-2 weeks | |

** = Duration is calculated from the time the incident is registered at the Network Support Helpdesk, taking the service windows in consideration.*

*Note:* The reaction time target is the time by which the service provider should make the first call back to the problem originator with initial findings and/or a request for more information.

Resolution is achieved when an incident has been fixed or an agreed satisfactory workaround put in place. The Resolution time (Mean Time to Restore) establishes a guideline by which incidents must be corrected, based on the priority of the incidents.

Regional IT-Operations is committed to a 95% performance in achieving the target. Delay due to dependency on other supporting groups (DI, IM, IBM etc.) however is to be taken into account and adjusted accordingly.

Progress of incident resolution will be monitored closely according to the following table:

***Incident Progress Monitor Table***

| Priority code | Frequency of check by Regional IT-Operations | Frequency of reporting to the Customer |
|---|---|---|
| 1 | Once every 10 minutes | Once every 30 minutes |
| 2 | Once every hour | Once every 2 hours |
| 3 | Once every day | Once every 2 days |
| 4 | Once every week | Once every month |

**Escalation of the incidents**

Incidents will be escalated in two ways:

- Inform Regional IT-Operations management about the progress;
- Transfer incident to second-line or third-line support.

If an incident cannot be resolved immediately by the network support help desk-staff (first-line support) the incident will be dispatched to the responsible group, e.g. the Regional IT-Operations service desk, the Production Support Group, which may escalate to the third-line support such as IBM etc.

Incident control: The Regional IT-Operations service desk monitors and reports the progress of all reported incidents of the customer.

Notifications (update/information):

- Regional IT Manager (customer/branches)
- Representatives of the customer
- RIM (escalations)
- Network Support Helpdesk

**PERSONNEL**

The Regional IT-Operations will maintain adequate staff and other resources to carry out all necessary servicing and maintenance activities as required to provide the service levels as defined in this SLA.

**COMMUNICATION**

**REPORTING**

**Management Information**

Regional IT-Operations Operations staff is only allowed to perform daily processing and has no access to the actual data. Requests for management information are the responsibility of the customer.

**Reporting**

Reporting on operational level will be executed on a daily basis:

- Daily report of current activities by routing of message via AS/400 or telefax;
- Information about planning of changes and requests for approval;
- Ad hoc in case of emergencies.

Regional IT-Operations will confirm completion of start-of-day process (SOD) by sending a confirmation message to the Customer Help Desk to advise that the daily operations can start.

Likewise, at day end, the customer will send a confirmation to the Regional IT-Operations system console to advice that the EOD process can be started.

Every month, a Service Level Report over the previous month will be submitted to the customer, published on the Regional IT-Operations web-site.

| Report subjects | Description |
|---|---|
| System Availability | System Availability for the customer in the Interactive Window.<br><br>*Percentage calculation: (Total Minutes - Out Minutes) total Minutes*<br><br>Composed of 2 respective area's:<br>• Network availability<br>• Regional IT-Operations Infrastructure (including AS/400) availability |
| Batch Processing | System Availability for Regional IT-Operations at Overnight Window starts (on-time finishing batch processing). |
| Network Availability | On the network infrastructure the report also shows:<br>• Total number of outages<br>• Outages per duration class<br>• Realization of network SLA's (service level metrics)<br>• Details on incidents with duration over 30 minutes |
| Process Statistics | Overview of key metrics of service management processes:<br>• Incident Management<br>• Problem Management<br>• Change Management |

## CONTACT TABLES

In this appendix, additional items are mentioned with are more dynamic as the other paragraphs, and need to be updated more frequently.

### CONTACT PERSONS

This paragraph defines all parties involved in the service delivery chain related to this SLA.

The contact list and escalation paths are maintained and published on the Regional IT-Operations web-site.

### OPERATIONAL POINTS OF CONTACT

**Regional IT-Operations:**

| Function | Organization | Task | Phone |
|---|---|---|---|
| Helpdesk | Network Support Helpdesk | 1st Line Support/Incident Management | |
| Service Provider | Regional IT-Operations | Operational contacts | |
| | | | |
| | | | |

**Customer/countries:**

| Role | Contact Reason/Tasks |
|---|---|
| | Availability of output (batch processing) |
| | |
| | |
| | |

* The SLA-addendum defines the contacts for each specific customer (see appendix 0).

### ESCALATION PATHS

**Country Level Escalation**

| Country/Branch | Involved Roles |
|---|---|
| Defined in the SLA-addendum for each individual customer (see appendix 0). | EDP Manager<br>Operations Manager |

**RIM Level Escalation**

| Name | Title | Countries |
|---|---|---|
| | | |
| | | |
| | | |

## ASSOCIATED SERVICE CONTRACTS

This appendix defines the Service Provisioning Agreements (SPAs) and Underpinning Contracts (UC) related to the provisioning of the services mentioned in this SLA.

IT Operations is responsible for negotiating, formalizing and maintaining these contracts with the service providers mentioned in the table below, in line with the service levels defined in this document.

## SERVICE PROVISIONING AGREEMENTS (SPA)

| Service Provider | Contract Type | Reference Document/Version and Date | Description |
|---|---|---|---|
| Corporate Networking (CN) | SPA | Based upon existing SPA's. | Network management of the end-to-end connectivity from the Regional IT-Operations to the national network of the individual countries.<br><br>*Based upon the existing SPA's with Corporate Networking.* |
| Network Support Helpdesk (IM) | SPA (NSHD & DI) | Based upon existing service catalog; Version 1.0. / Planned April 2000 | Call Handling and first line support.<br><br>Incident solving for APPLICATION platform and applications. |
| Development International (DI) | (SPA NSHD & DI) | Based upon existing service catalog; Version 1.0. / Planned April 2000 | Incident (3rd line support), problem management and change management for APPLICATION applications. |
| | | | |

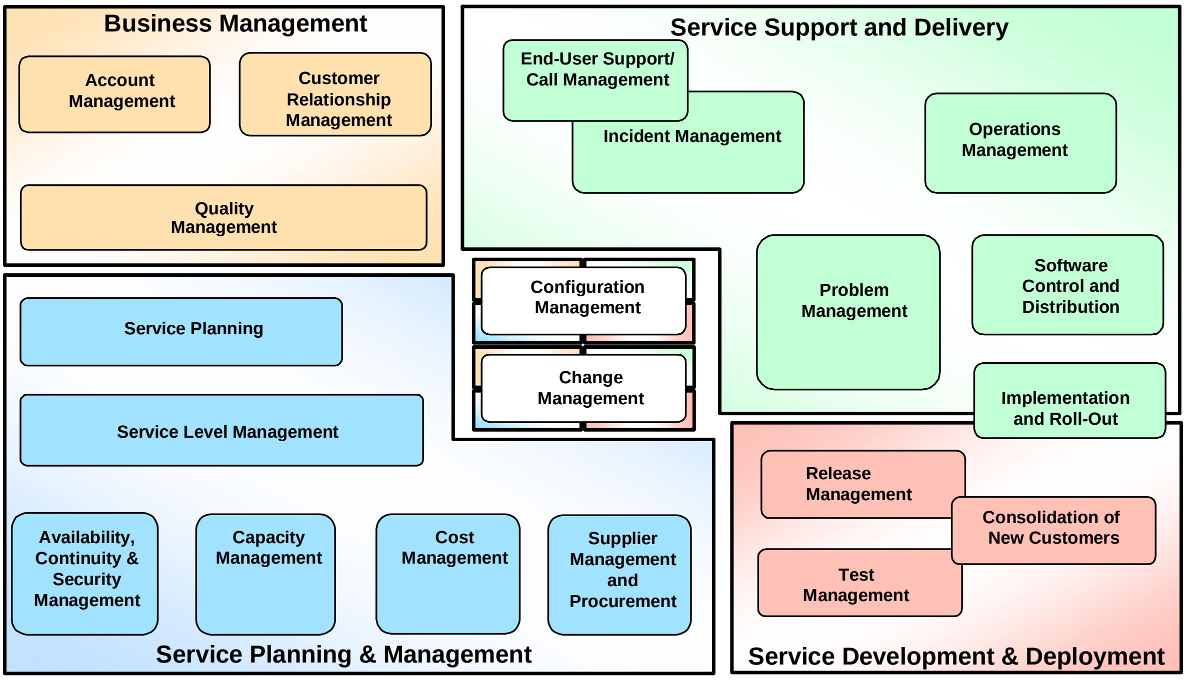
## UNDERPINNING CONTRACTS (UC)

| Service Provider | Contract Type | Reference Document/Version and Date | Description |
|---|---|---|---|
| IBM | UC | | Hardware maintenance and support. |
| | | | |
| | | | |

# SERVICE MANAGEMENT PROCESSES

## SERVICE DELIVERY AND SUPPORT PROCESSES

The following diagram shows the different management process areas that are executed by Regional IT-Operations as part of provisioning of the services defined in this SLA.




The following paragraph defines the processes in more detail; details of these procedures are documented in the Service Quality Plan (SQP).

## BUSINESS MANAGEMENT

### Account Management

Account management forms the link between the Regional IT-Operations organization and the customer (in conjunction with Customer Relationship Management).

This means that account management has to ensure that the Regional IT-Operations organization remains aware of the customer's needs and, on the other hand, keeps the customer up-to-date

about the services provided by Regional IT-Operations. In other words, account management is responsible for ensuring a proper match between the needs of the customer and the services

provided by Regional IT-Operations.

The main tasks and responsibilities of account management for Regional IT-Operations are:

- to present one face/point of contact to the customer/business (on tactical and strategic level);
- to translate requirements and the motives of the business into service offerings;
- to identify and point out opportunities and threats to Regional IT-Operations services at an early stage;
- to supply information to the business/customers;
- to provide an overall view of the various services in Regional IT-Operations;
- to arrange funding for the projects;

**Customer Relationship Management**

To make sure that the Regional IT-Operations services department provides its customers with the support necessary to enable them to use Regional IT-Operations services effectively and efficiently, whilst making the most efficient use of IT resources.

This area includes all tasks for understanding, formalizing and monitoring Customer Satisfaction, as well as managing the Customer expectations as an on-going process. At the beginning of the service, the Customer is asked to define precise expectations of the delivery process, the delivery team, and the final result. Those evaluation criteria are then employed on a regular basis to measure Customer satisfaction.

**Quality Management**

The main objective of this stream is to maintain the Service Quality Plan (SQP). This document is a living document, which will be used as a reference during the whole service life cycle. It describes the projects for the forth coming year aimed at improving the current service levels and service processes based upon the business value for the customer.

The Service Quality Plan defines improvement areas and projects, which must be approved by the Coordinating Business Representative.

**SERVICE DELIVERY**

**Operations Management**

Maintaining an efficient IT-infrastructure that is capable of delivering Regional IT-Operations services to the quality required in the service level agreements whilst absorbing change at the rate consistent with business needs.

This process manages and performs normal, day-to-day processing activities required for Regional IT-Operations service delivery in accordance with agreed-upon service levels.  Essentially, this process *operates* the Regional IT-Operations production environment (APPLICATION platform) required to deliver services.

**Operations Procedures**

- batch processing procedures
- logging procedure
- backup and restore procedures
- security administration procedures
- disaster recovery procedures
- system management procedures
- maintenance and housekeeping procedures

**Call Management**

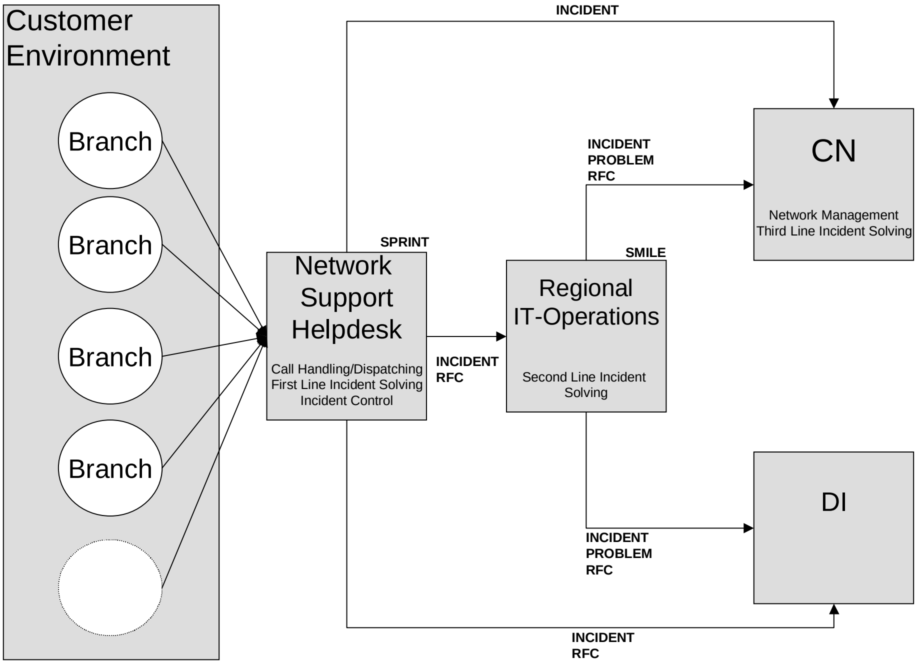
This process manages the day-to-day support interface between end users (customers) and service providers.

Call management and incident routing is performed by the Network Support Helpdesk (NSHD). Based upon the classification of the call, an incident is created and dispatched to responsible service providers, e.g. the Regional IT-Operations Service Desk (for technical related calls/incidents).

**Incident Management**

To restore normal service operation with minimal impact on the user community. Focused on restoring service availability by handling incidents occurring in the infrastructure or reported by users, this process seeks to minimize disruption to the end user. Efficient first-level supports are encompassed in this process.

The picture underneath shows the planned communication lines concerning service management related to Regional IT-Operations.




Incident management will initiate the crisis management and escalations procedures in case incidents exceed pre-defined thresholds. Escalation paths are defined in appendix 0.

### Problem Management

To identify the root cause of incidents and thus prevent recurrence of incidents stemming from a single source and to change configuration items to remove known errors affecting the system and thus prevent the recurrence of incidents stemming from these known errors.

The dual aims of the PROBLEM MANAGEMENT process are to (1) minimize the impact of escalated incidents (reactive); and (2) reduce the number of incidents by addressing root causes of failure (proactive)

This process includes problem control, concerned with avoiding repeat incidents, and known error control, concerned with ensuring that long-term solutions addressing root causes are implemented.

### Change Management

Ensure that standardized methods and procedures are used for efficient and prompt handling of all changes, in order to minimize the impact of change related problems upon Regional IT-Operations service quality.

**Change Procedures**

- acceptance procedure
- approval procedure
- installation procedures

Requests to make changes to the Regional IT-Operations infrastructure or any aspect of Regional IT-Operations services are managed and controlled in this process.

**Classification of Changes**

Changes can be introduced to the following platforms:

- APPLICATION applications (……………………… and other ………………………applications, either developed by ……………………… internally or by third party);
- System software for IBM products;
- System software for the technical infrastructure (DI).
- Changes related to the hardware infrastructure (e.g. network, AS/400)

Software changes can be applied in the following ways:

- Pre-releases: individual PTF's (urgent problem solutions);
- APPLICATION releases: cumulative PTF packages (problem solutions);
- Individual application program changes (problems);
- New releases (additional functionality).

All PTF's and releases are distributed by DI/Distribution Support. All PTF's have been tested and accepted by DI and IM on technical and functional issues.

Any adjustment which has a link to the Customer environment will not be applied by the Regional IT-Operations before the customer is informed.

All changes have to be approved by the customer. All changes on the ………………………-platform require approval from Customer Operations Management except for emergency fixes outside office hours.

Changes will only be applied when distributed via Distribution Support (Development International).

### Individual PTF's (Pre-releases)

Individual PTF's (solution for critical problems) will be planned and executed by Regional IT-Operations within an agreed time (usually within two days). Implementation time depends on urgency of problem or its impact to the interactive hours or the batch window for EOD processing.

### Cumulative PTF packages (APPLICATION Releases)

Cumulative PTF packages come at random from IBM or Support organization. Installation only takes place in cases that impact information has been delivered and judged positive. Implementation only takes place after permission of the country is received and preferably not on working days.

### Individual Application Program Change

Implementation only takes place after permission of the country is received and preferably on working days before EOD processing is started.

### New Releases

Major amendments and extensions on the functionality lead to a new release.

Execution of approval (by DI and IM) and installation of a new release is based upon the delivery by the Customer NUS, Dl and IM. Installation only takes place in cases that impact information has been delivered and judged positive. Implementation takes place during the weekend and after permission of the country.

### Configuration Management

To bring all Regional IT-Operations infrastructure components and associated items of documentation under ongoing configuration management control and thereby to facilitate the management of changes and the handling of incidents and problems and in general to contribute to the economic provision of quality Regional IT-Operations services in the of changing business and user requirements.

CONFIGURATION MANAGEMENT is a disciplined process to specify, track, and report on each Regional IT-Operations component under configuration control, referred to as a configuration item (“CI”). Data are stored in a logical entity known as the configuration management database ("CMDB"), typically consisting of multiple distinct databases.

## SERVICE MANAGEMENT AND PLANNING

### Service Planning

The Service Planning process defines, tracks, and controls standard services comprising a complementary service portfolio which address Regional IT-Operations added value and are anticipated to be leveraged across multiple customers.

Service Planning also defines the consolidation of new customers and anticipated growth of existing customers. The consolidation plan is defined by the Coordinating Business Representative.

### Contingency Planning

Planning to cope with, and recover from, a disaster and safeguarding the existing systems preventing incidents from becoming disasters.

The Regional IT-Operations is committed to try its best to provide continuous running of the banking operations for the customers supported by Regional IT-Operations, irrespective of any unexpected hardware failure, power failure, communication failure or computer room disasters.  As such, a Disaster Recovery Plan (DRP) will be implemented for every customer.  However, a separate DRP has to be implemented by the customer to cater for contingencies in case of similar failure occurring at the customer site.

### Management Decision

Decision related to the contingency is made by:

- Service Level Manager of Regional IT-Operations
- Management of the customer
- MIS Manager or Operations Manager of the customer, if any

Triggers for contingency

- Computer room disaster - e.g. fire, water leakage etc.
- prolonged power failure (definition depends on the elapse time required from declaration of disaster to ready for user access; it varies from site to site, say Country A will take 8 hours whereas Country B may take more than 12 hours)
- prolonged AS/400 failure
- prolonged DASD failure

## Fallback Procedures

- Regional IT-Operations backup staff procedure
- Customer backup staff procedure
- Release fallback procedure
- Disaster recovery procedure

## Performance and Capacity Management

The provision and management of Regional IT-Operations capacity to ensure required service levels can be achieved. To ensure that cost justifiable Regional IT-Operations capacity always exists which is matched to the needs of the supported business.

Defines, tracks, and controls Regional IT-Operations service capacities to ensure service workloads are ready to meet demands of customers at agreed performance levels.

Performance reports are analyzed and areas for improvements are defined.

Based upon the capacity plan and performance reports (in conjunction with the service plan) specific projects can be defined in the Service Quality Plan (SQP).

## Availability Management

The optimization of the availability of systems and supporting organizations providing Regional IT-Operations services to ensure that the requirements of the business are met.

Defines, tracks, and controls customer access to Regional IT-Operations services. Determines plans and tactics for service continuity, contingencies, physical and data security. Manages supplier contributions to overall service availability.

## Anticipated growth:

The customer is expected to advice the Regional IT-Operations the anticipated growth of the forthcoming year.

## Security Management

The realization and monitoring of organizational measures and technical facilities aimed at protection of people and personnel, areas, automation facilities, data and data processing.

### Security Procedures

- physical security
- system security measures
- envelope procedure

See appendix 0 with details of the security measures.

### Cost Management

Provide management information on the costs of providing Regional IT-Operations services that support the organization's business needs and thereby ensure that Regional IT-Operations services are provided in a cost effective manner. To influence customer behavior and to allow evaluation of Regional IT-Operations-services and plan for investments based on cost recovery and business benefits.

COST MANAGEMENT defines Regional IT-Operations cost and charging allocation structures supporting service budgets in order to ensure cost recovery. It includes tracking and controlling actual costs by service and by customer. It also includes charging customers for service delivery.

### Service Level Management

Managing the quality and quantity of delivered Regional IT-Operations services, in the face of changing business needs and user requirements, according to a written agreement or 'contract' agreed between the users and the Regional IT-Operations services department.

The SERVICE LEVEL MANAGEMENT process defines, negotiates, monitors, reports, and controls customer-specific service levels within predefined standard service parameters. This process also generates a custom service if the customer's Service Level Agreement requires it.

### Supplier Management

Suppliers of goods and services to IT Operations need to be managed to ensure they are of value and provide good service. Service Provisioning Agreements (SPA's) and Underpinning Contracts (UC's) are negotiated with Suppliers. The performance against targets should be reviewed and Supplier review meetings held on a regular basis for all Suppliers.

See appendix 0 with contracts with suppliers and other service providers with the Regional IT-Operations service chain.

## SERVICE DEVELOPMENT AND INTEGRATION

### Consolidation of new customers

Regional IT-Operations will consolidate new customers into its service offering based upon the consolidation plan defined by the Coordinating Business Representative.

The consolidation of new customers is managed and executed as a separate project approved by the Coordinating Business Representative.

In general the following phases are defined of a consolidation project:

1) Feasibility Study/Gap Analyses
2) Preparation Phase
3) Integration and Consolidation Phase
4) Evaluation Phase

During the feasibility study the specific (service level) conditions of the country are defined, and a separate SLA-addendum is negotiated and signed in the integration phase.

The Service Quality Plan (SQP) can be updated based upon the results of the Gap Analyses.

### Build and Test

The BUILD & TEST process develops and validates a functional version of a component, service function, or end-to-end service and documents instructions for replication and implementation of a production copy as needed.

### Installation & Acceptance

The provision of quality Regional IT-Operations services by ensuring that all hardware and system software assets are securely controlled.

### Testing For Operational Use

To show that a Regional IT-Operations service is suitable for operational use. Testing for operational use is performed on the test environment. Its main focus is to determine (unwanted) side-effects of implementation of this release on the live environment.

### Release to Production

The RELEASE TO PRODUCTION process creates one or more production copies of a new or updated component, service function, or end-to-end service for a specific customer, based on a master blueprint. Required components are procured and the production copy is staged, implemented in the production environment, tested and activated for customer use.

### Software Control & Distribution

The provision of quality Regional IT-Operations services by ensuring that all software assets are securely controlled and that only correct versions of authorized software and vendor products, appropriately tested, are in live use.

## SECURITY MEASURES

### Risk Classifications

The systems are classified according to the criteria set out below and from the perspectives of reliability, continuity and confidentiality.

Risk sensitivity will be assessed from the following three perspectives:

### Reliability

The degree of sensitivity will be determined by the possible loss or damage that the ……………………… could incur in the event of a system operating incorrectly, incompletely, untimely or improperly.

### Continuity

The degree of sensitivity will be determined by the possible loss or damage that the ……………………… could incur in the event of a disruption to the system's availability.

### Confidentiality

The degree of sensitivity will be determined by the possible loss or damage that the ……………………… could incur in the event of data, whether sensitive or not, being accessed by an unauthorized person.

Each perspective will be given one of the following three sensitivity ratings:

1. Critical
2. Sensitive
3. Non-sensitive

**Risk sensitivity:**

| | | |
|---|---|---|
| Reliability | critical | 1 |
| Continuity | critical | 1 |
| Confidentiality | critical | 1 |

## OVERVIEW SECURITY MEASURES

In providing data processing services to the customers, Regional IT-Operations is responsible for putting in place an adequate security and control procedure to ensure:

- The protection of IT-services against events which may disturb continuity;
- The protection of data files and software against deliberate or non-deliberate mutilation and unauthorized use;
- The limitation of losses in the event of discontinuity, mutilation or unauthorized use.

To achieve this the Regional IT-Operations has:

- Implemented physical access control and environment protection around Regional IT-Operations facilities;
- Implemented logical access control on the AS/400 systems;
- Provided data security over communication lines;
- Provided disaster recovery facilities for AS/400 systems;
- Provided testing facilities.

## PHYSICAL SECURITY AND ENVIRONMENT PROTECTION

### Location of Regional IT-Operations

The Regional IT-Operations facilities are physically located in two separate locations, namely ………………………and ………………………. AS/400s are equally physically placed in these two sites so as to distribute the risks should disaster strike in any one site. The two sites are chosen so that they are sufficiently distant from each other and electrical power is obtained from different power grids.

**Physical Access To Regional IT-Operations Facilities**

In each of the building where the Regional IT-Operations facilities are located, physical access to the premises are via card key or key-pad control access in addition to the building own access control procedure. Similarly, access to the Regional IT-Operations computer room is via card key accessible only by authorized personnel of the Regional IT-Operations. All visitors to the computer room must be authorized by the Regional IT-Operations manager and accompanied by the Regional IT-Operations Manager or his designate. In addition, all visitors are required to register themselves in a visitor's log. A list of authorized personnel is posted within the computer room for verification by the computer operation staff on duty.

**Computer Room Protection**

The computer room is protected by advanced fire-signaling and -fighting facilities.

**Access to AS400 Key Panel.**

Each key to the respective customer's AS/400 system is kept by Regional IT-Operations locked in a data safe. All use of this key must be authorized by the Operations Manager of Regional IT-Operations and will be registered in a log-book. In addition, a written explanation must be submitted to the Regional IT-Operations Manager after its use. The customer will be advised of its use and the reason.

**Data Storage and Protection**

Backup of the production data is executed on a daily basis. One copy per day of the backup is created consisting of the data and program libraries. Backup is done on tape/cartridge and is stored off premises.

The off-site location is normally a safe deposit box or at premises designed to offer data storage facilities with round-the-clock security and air-conditioning.

Backup of the system libraries is done after a change.

**ELECTRICAL SUPPLY**

Electrical supply to the respective AS/400 system is supported by Un-interruptible Power Supply (UPS) which in turn will obtain supply from standby generator should there be a prolong electrical failure. Fuel to the standby generator is topped up by building maintenance as and when required.

## LOGICAL SECURITY ON THE AS/400 SYSTEM

Logical security on the AS/400 is implemented on two levels, OS/400 system level and application level. In general, the customer is responsible only for the second level security and Regional IT-Operations is responsible only for the first level security (i.e. all Q* PASSWORDS, MAINT).

Use of first level security is always reported by Regional IT-Operations to the customer in the Start of Day confirmation. The use of these profiles by third party (is other than Regional IT-Operations staff) is only granted by Regional IT-Operations after written approval is received from the customer, although the customer can decide to deviate from this rule.

……………………….

For those branches using ………………………, the AS/400 '………………………' profile is used to maintain system values and perform critical system functions such as hardware and software upgrades and perform system diagnostics when requested by IBM engineers. This ………………………profile is normally held by the Regional IT-Operations Administration Manager and backup by the Regional IT-Operations Manager.

On the application level access to the application and satellite applications are granted via 'SAFE' administration. '………………………. is a tool within the ………………………. system that allows definition of functional access for each staff of the bank to those applications he or she is supposed to have access. Staff is granted access in accordance to their job functions and responsibilities. Also, the 'device shielding' feature under the ………………………. system provides the facilities to pre-assign those "Actions that the specific workstation can handle. In addition, 'staff shielding' feature allows the pre-assignment of transactions and its related transaction handling limit for each ………………………. user. Once defined each user including computer operation staff can access the AS/400 only via mandatory menu.

Administration of ………………………. and creation of user profiles using an AS/400 Security Administration level profile is carried out by the department of the respective branches as designated by the management team of the customer.

### DATA SECURITY OVER COMMUNICATION LINE

To protect data transmitted across communication line from unauthorized tapping, hardware encryption devices, if possible from a legal and technical point of view, are installed on all communications links advised by the Customer.

### DISASTER RECOVERY FACILITIES FOR AS/400 SYSTEMS

In the event of disasters data processing services may be disrupted. Therefore to ensure continuity of services, disaster recovery center (DRC) is set up to allow the transfer of operation to this center. Where the disaster recovery center is not owned by the ………………………, a disaster recovery service agreement is signed by Regional IT-Operations with the appropriate vendor providing such kind of service

Proper disaster recovery procedures are established to ensure proper cut-over of operation to the DRC and this includes switching of the communication lines to the DRC. This is ensured via bi-annual test runs to familiarize operation staff and users. Both Regional IT-Operations and the customer will participate in disaster recovery planning, approval and testing.

### TESTING

Testing of application software or program changes received from development centre is not allowed on the production system.

Testing is done on a non-production system from Regional IT-Operations or a system from the customer. The main purpose of this testing is to verify the customization details regarding new functionality and not to verify correctness of the new functionality (programs) itself. Another test goal is to check impact on possible local developments, operational aspects, etc.

Upon successful testing of the application software or program changes it is then implemented in the production environment after permission is obtained from the Customer.

In addition, Regional IT-Operations does not undertake any systems development activities on the production system.

## CUSTOMERS (SERVICED COUNTRIES/BRANCHES)

This appendix defines the related SLA-addenda, which are defined for each individual customer part of this agreement.

The SLA-addendum is a separate document associated with this SLA, defining the specific arrangements, conditions and service levels for individual customers. The SLA-addendum also defines the service hours and holiday calendar of the customer.

## ABBREVIATIONS

This appendix defines the abbreviations used throughout this document.

| Abbreviation | Description | Remarks |
|---|---|---|
| CBR | Coordinating Business Representative | |
| CMDB | Configuration Management Database | |
| CN | Corporate Networking | |
| CSR | Change Schedule Report | |
| CSM | Corporate Computing Services Management (IT Operations) | |
| DAR | Daily Activity Report | |
| DI | Development International | |
| DRC | Disaster Recovery Center | |
| EOD | End-of-Day (batch processing) | |
| GAN | Global Access Network | |
| IM | Information Management | |
| NSHD | Network Support Helpdesk | |
| PTF | Problem Temporary Fix | |
| RIM | Regional Information Management | |
| RSE | Relationship and Satisfaction Evaluation | |
| SA | Security Audit | |
| SCAT | Service Catalogue | |
| SLA | Service Level Agreement | |
| SLAM | SLA Review Meeting | |
| SLR | Service Level Report | |
| SPA | Service Provisioning Agreement | |
| SRM | Service Review Meeting | |
| SQP | Service Quality Plan | |
| UC | Underpinning Contract | |
| | | |

## 6. OUTSOURCING TRANSITION PLAN

# Transition and Change Management

## THE TRANSITION PROCESS

### The Relationship Team Takes Over

Up to now, the relationship team has generally been serving in a consulting role to the project team. Now the roles should reverse. The relationship team will have to live with the results of the transference of the factors of production to the provider. Accordingly, it should now assume primary responsibility for the initiative.
The project team should return to their daily activities, with the exception of the project leader. The project leader should be an active member of the relationship team through the transition's completion. The project leader performs a valuable role by assuring that the project team's acquired knowledge is transferred to the relationship team. The project leader will consult with the relationship manager and employ the project team's resources (for example, specific project team members), as necessary, to assist in the transition.

Just as important, the project leader attends all meetings with the provider during the transition. This ensures that previous provider commitments (and their interpretations) don't fall through the cracks or get reinterpreted to the organizations detriment. At the outset, the relationship manager cannot, and should not, be expected to know and understand every nuance of the agreement, or why certain actions (for example, contract clauses) were taken. This is where the project leader guides the relationship manager.

The project champion's role stays the same—senior management's representative in guiding the relationship team to a successful completion of the initiative. Having said that, it is also important to update the executive to whom the relationship manager will report. This responsibility falls to the project champion. It is useful to remember that this executive may not be thrilled that the outsourcing occurred in the first place. That's why it is the project champion s job to assure that the executive is comfortable with the initiative and will support it. Any problems here should be handled by the project champion and the CEO (or COO, if one exits), not by the more junior relationship manager or project leader.

Until the initiative is completed, the key players are as follows, in descending levels of authority:

- Project champion
- Executive (to whom the relationship manager will report)
- Relationship manager
- Project leader

At the same time, the relationship managers role should be established. This will enable the provider to recognize and accept the relationship manager as the decision maker to whom the provider reports.

### Transition Roles

Outsourcing's success often depends on how the transition is implemented beginning with the announcement of a signed contract through the transfer of the factors of production to the implementation of operations. This is where the best-laid plans can fall apart.

In the term sheet and contract, the specific roles for each party in the transition were identified, what will be done, how it will be accomplished, where each will be done, and when each will be accomplished. Now its time to make the final statements of how those roles will be executed. Up to now, the account manager had very limited access to the organization, and then only through the project team. That has to change now. Together with the relationship manager, these two should begin to build the type of relationship that can weather the storms they will face.

The relationship manager should have developed a transition plan to smoothly move the factors of production to the provider smoothly. The provider, likewise, will have a transition plan. Together, the relationship manager and the provider s account manager should mesh the two plans into one that includes effective "change management" techniques, because outsourcing can both transform the organization and the way employees look at it. Up to this point, both parties have been negotiating. Now they should collaborate to execute a single plan.

The parties should have the full cooperation and involvement of the human resources function, or an outsource adviser, in counseling the employees directly affected by outsourcing. Most large providers have a human resources function that will contribute to the transition as well. Together, they should also be responsible for implementing tightened security where it is needed to protect those employees and the organization's other valuable assets. The following are examples of issues that should be addressed:

***Communication Issues***

- How and when will the employees directly affected by the outsourcing initiative be advised?
- How and when will the employees unaffected by the outsourcing initiative be advised?

***Human Resources Issues***

- What will be offered to each of the employees who:
- Will be asked to remain with the organization in another capacity?
- Will be asked to move to the provider?
- May be asked to move to the provider?
- Will be terminated?
- How will the offers be presented?

***Transition Issues***

- How and when will the employees, who will move to the provider, do so (for example, in a staged transition or one-time transition)?
- How and when will the other (nonemployee) factors of production be moved to

the provider?

These issues are covered in the following sections of this chapter.

## Communication Issues

If the project team did its job in communicating with the employees as the initiative evolved, then the employees learned of the initiative's progress at the following points:

- When the project plans were completed
- When the costs and performance analyses were ready to begin
- When the requests for proposals were prepared
- When the short list candidates were selected
- When the contract was completed

The goal was to avoid surprises or rumors "which could trigger stress and discontent. It will be hard to say "whether the project team succeeded, because this is a high stress time for employees, irrespective of the project teams success. The true measure of their success will be how quickly the employees accept the change and move forward.

The CEO, preferably (or if not, the same person who announced the outsourcing initiative at the beginning), should announce that the out-sourcing contract has been signed. The announcement should not be made on a Thursday or Friday, as there are important follow-up meetings that should be held in the next few days. The announcement should be crafted with care and delivered to all employees in the affected locations. As Andy Grove, chairman of Intel Corporation, once said, "The worse the news, the more effort should go into communicating it." The project team should also be recognized for their outstanding efforts and results.

Further, the announcement should be delivered in person in a presentation to those employees who will be directly affected by it. John Morley, British statesman and writer, once said, "Three things matter in a speech; who says it, how he says it, and what he says—and of the three, the last matters least/The CEO should be sincere and compassionate, yet optimistic and upbeat in making the presentation.
The announcement to those directly affected employees should be short, but a period for questions should immediately follow. In the presentation, the CEO should:

- Announce that the outsourcing contract has been signed.
- Reveal who the provider is, and speak favorably about the provider.
- Indicate how this will affect the employees, including their probabilities for future employment with the provider, severance packages, and so on.
- Thank the employees for their years of service.
- Set up the subsequent meetings to be held (see below).
- Reiterate the reasons for outsourcing.
- Set forth the timetable for the transition.

- Describe any of the key terms in the contract that differ from the term sheet announcement (which was previously shared with the employees).

The account manager and his or her superior should represent the provider and should participate as appropriate (for example, to answer specific questions). Within twenty-four hours of the announcement that the contract has been signed, there should be a series of meetings to explain in more detail the answers to the employees' questions. These would include:

- A meeting with the organization, for each individual employee directly affected by the outsourcing for counseling
- A meeting with the provider for all employees as a group **who** will be, or may be, offered positions with the provider
- Meetings with the provider for all employees individually who will be offered positions or interviews with the provider

When meeting with the individual employees, the organization should be able to explain which option (or options) is available (for example, to stay with the organization in another capacity, to accept an offer from the provider, to interview with the provider, or to be terminated). Meeting with the employees first allows the employees to meet with the provider with an understanding of what will happen to them, irrespective of the provider.

In the meetings "with the provider, any employee who will be made an offer—or who will have a chance to interview—should have the benefit of learning everything that would be necessary to make an informed decision, including:

***General Meeting***

- Information about the provider, such as its history and how it operates
- Information about general opportunities for career development, training, benefits, and so on

***Individual Meeting/or Those Receiving Offers***

- A written offer of employment and the period in which it remains open
- Information about the specific position to be filled (for example, a written position description), how the activities will change from the individual's prior position, to whom the position will report, and so on
- Information about specific career development, training, benefits, and so on
- The financial elements of the offer
- A face-to-face meeting with the new supervisor

***Individual Meeting/or Those Interviewing***

- A personal interview with the hiring manager and the account manager
- The timetable for the provider's decision on their potential employment

In most cases, the provider's career opportunities, development, training, compensation, and benefits should be positive to the employees. They will see opportunity and want to accept the offer.

## Human Resources Issues

The relationship team should be sensitive to what the employees are going through. Following this announcement, the reality is now beginning to sink in: change will occur. They are feeling discomfort and insecurity, and the organization should express confidence about their futures.

The organization should present to each of the affected employees, in writing, the financial and operational implications of the options it controls (for example, it doesn't control the provider's offer), including salaries and benefits continuance, severance benefits, and retirement implications. It is imperative that these terms be at least fair (and be seen to be fair by unaffected employees) and preferably somewhat generous. This should be the goal, whether or not there are opportunities of employment elsewhere in the organization or with the provider. These employees have served the organization well and deserve fair treatment as they leave.

The organization will have identified several people in the outsourced unit that it wants to keep. These may have been persons that will fill roles on the relationship team or that have skills needed elsewhere in the organization. While it may appear that these individuals are lucky to be staying with the organization, they may feel otherwise. After all, they still must go through the uncertainty of an involuntary change of position. That is why sensitivity and counseling are necessary here as well. The organization should be able to make their written offer of employment at the same time the contract announcement is made and schedule the meetings with their new managers to occur within twenty-four hours. Having said that, if the offer is not accepted, then the provider should consider these individuals for employment, and if no offer is forthcoming there, they should receive the same severance package as those employees "who will be terminated.

The provider should previously have been able to identify the key employees who should be made an immediate offer, concurrent with the announcement, in order to improve the employees' chances of quickly accepting the change. This should have been accomplished by a review of the personnel files, a review of the organizational structure and their position descriptions, and discussions with the project leader, relationship manager, the executive to whom the relationship manager will report, and so on. It is very important that these key employees decide to go over to the provider in order to ensure a smooth transition.

Likewise, the provider should have been able to identify those employees it may want to hire (needing only to interview the individuals) and those it definitely doesn't want to hire. The organization should take care to see that the provider did not practice discrimination in making these decisions. Further, the organization should ensure that the provider has a fair interview process. This should help to manage the risk of lawsuits by disgruntled employees.

The group of employees that will be interviewed by the provider should be interviewed within twenty-four hours of the announcement. A decision on their offer should be communicated to them as soon as it can be —within forty-eight hours if possible. This group will suffer the burden of uncertainty the most, and accordingly, will need to be counseled. Obviously, the longer it takes to reach a decision, the less chance of hiring these people, because they will have entered the open market for employment.

The employees who will not be hired (either initially or following the interviews) will be the ones who will suffer the negative burden of out-sourcing. While the organization is getting the gold mine (the benefits of outsourcing), this group will feel they got the shaft. Their career plans, their investment in moving up through the organization and their existing security of compensation and employment will have all gone up in smoke. This may turn out to be a favorable turn in their lives, but now it's a harsh blow.

Worse still, they didn't get an opportunity to move to the provider so the rejection factor is doubled. David Kurtz, American educator and business writer, said, "The rate of unemployment is 100 percent if it's you -who is unemployed." This group deserves special treatment, from in-depth counseling and outplacement benefits to a generous severance package.

The human resources function or an outsourcing team (or both) should assist the relationship team by counseling the employees directly affected by outsourcing. The counseling group will need to know what the provider is offering in order to answer questions employees may have (after the provider has made the offer) about:

- The salary and benefits packages that have been offered to the employees who are transferring to the provider
- The career opportunities, training, and development that have been offered
- How the employees' current health, pension, and other benefits compare to the providers
- The relocation packages for employees who must move to continue employment with the provider

The counseling group should support the provider and encourage the employees to accept the providers offer. It is in the organizations best interest to have its employees move to the provider so that the provider's services can start up without a break in service—and at least at the same performance levels.

With regard to salary and benefits packages, the counseling group should be able to support the providers offer. Providers may offer different compensation plans that pay for performance using an adjusted mix of the compensation elements. For example, most of the organization s employees may have been on a plan that provided a base salary, plus a bonus in the 10 percent range, and a standard package of insurance and retirement benefits. This package was designed to meet diverse employee needs across an entire organization.

The provider, however, can tailor the compensation package to a specific niche of employees (competencies, performance measures, and so on). The provider thus better matches the compensation to the employees' needs and desires. To continue the example, the provider might offer 10 percent less in salary, a more suitable benefits package that costs the provider 10 percent less, and a "pay for performance" bonus of 20—40 percent (some of which should be guaranteed the first year, to keep the employees' existing base compensation whole).

These same employees would laugh at a similar plan proposed by the organization, because they wouldn't believe that the organization could accurately measure their bonus achievement. They fear unfair treatment. On the other hand, they will accept the fact that the provider understands their core competencies and special skills and can more accurately measure superior performance. This gives the employees faith they could earn and be paid the bonus. The provider has lowered fixed costs 20 percent and 'will pay any bonus out of the cost savings from the superior performance. The employees get a greater potential compensation, and one that is reasonably achievable.

With regard to the employees' future career with the provider, the counseling group should be able to support the provider's offer. The provider can offer the employees a career path and the necessary training and development to achieve their career potential. When they perform well, their opportunities for increased compensation and advancement are almost unlimited. The provider and the employees share the same core competencies and special skills, and the provider knows how to train the employees so they can, and will, perform well. Because the provider s entire business relies on these core competencies and special skills, instead of the small fraction your organization relies on, the opportunities for these employees' growth with the provider are much greater.

The provider will want to understand what severance packages the organization will offer to employees who do not accept the providers offer. This will help the provider understand the financial package they are competing with. If the severance program is too rich, the provider may have trouble attracting any of the necessary employees.

## Transition Issues

The list of potential transition issues is endless. As the relationship manager and the account manager combine their transition plans, they should try to identify any issues that may have been missed. They might ask questions such as:

- What flexibility are we building into our plan?
- What alternative plans should be considered?
- How will we know if the transition is being implemented poorly?
- Do we have a contingency plan in case unforeseen problems arise?
- How does the organization respond to failure, real or perceived?

Another question that must be addressed is whether to transfer the internal unit in one coordinated movement or stagger the transition over several phases. A variation of the staggered approach is for the provider to be asked to run a test, or run in parallel for some period of time. Delays can kill outsourcing initiatives, and speed is important, so a single implementation is preferred.

Staggered implementations might work if there is tremendous support for the initiative and the change isn't critical, but unless there are overwhelming reasons to do it in stages, this approach is best avoided. There are several problems with this approach:

(1) the employees are caught in between two employers (how would you feel?);

(2) any remaining powerful opposing forces will see one last chance (if they can sabotage the first phase they might yet kill it); and

(3) the benefits of outsourcing will be delayed. The providers want to get started—let them.

In identifying the possible transition issues, it is advisable to concentrate on the factors of production and how the internal unit fits into the organization:

- People
- Facilities (space and related services)
- Equipment
- Hardware/software
- Third-party contracts
- Processes, functions, and activities, processing inputs and producing outputs

A number of the personnel issues were discussed in the Human Resources Issues section. Examples of non-people-related issues would include the following:

- How will the provider take full responsibility for the unit?
- How will the provider begin to use space in the existing facilities, or the unit will be moved to their facilities?
- How will any pieces of equipment transfer to the provider?
- How will existing warranties transfer to the provider?
- How will existing software licenses transfer to the provider?
- How will existing maintenance contracts with third parties transfer to the provider?
- How will interfaces occur during the transition?

The relationship manager and account manager should revisit the resource management, information management, and project management questions outlined in Chapter 5. As these issues are being discussed, other organization employees and stakeholders should be contributing as well, in addition to the human resources function.

First, and perhaps most importantly, the employees who will move to the provider should have a valuable wealth of knowledge, issues, and concerns. As soon as their status is settled, the relationship manager and account manager should interview them together. It is in that group's best interest, as the outsourcing front line, to get the transition right the first time.

Second, the internal unit's internal customers should be interviewed in order to get their concerns out in the open. This is the group that will be the most vocal if transition problems arise. They are the ones who are inconvenienced by any transition and burdened if it goes poorly. If the internal unit touched the customer, and the provider will now perform that activity, it may be appropriate to convene a focus group of external customers to get their input.

Third, if there are significant transfers of physical assets, then people such as plant engineers, maintenance personnel, building managers, architects, insurance agents, lessors, lien holders, financiers, equipment manufacturers' representatives, and moving contractors should be consulted. There are many nuances to moving physical assets beyond picking them up and loading them on the truck. Moving physical assets to the provider is something that may have not been contemplated in third-party agreements, **so** their representatives may need to contribute input as well.

Fourth, there will be others who should be sought out. Any internal unit employee who is not transferring to the vendor, but wants to cooperate, should be heard. Internal staff functions whose scope of service could be affected by outsourcing, such as controllers, internal audit, and information systems and technology departments should be consulted. They will address issues such as internal controls, performance auditing, and information access and security. Perhaps the provider has other account managers and executives who have made similar transitions for similar organizations, who might offer sound counsel.

Fifth, this is also a good time to update senior management on the transition plan and how it will be implemented. They want this transition to be implemented flawlessly, and may offer suggestions related to the transition plan's effect on other stakeholders, including the board of directors, suppliers, customers, and regulators, that could prove valuable. They will also want to know about suggested organizational policy changes that result from outsourcing.

One final point is important: there is a natural tendency not to want to let go, especially for those internal unit employees who now work on the relationship team. There will be some "buyer's remorse." There 'will be the "perfectionist" who wants to do just one more thing (many times) before turning over the reins. The process will never be perfect, and there will always be something else that could be done first. Yet the time has come. Like sending your child off to college or military service, you say goodbye with a tear in your eye. The organization must let go in order to enjoy the benefits.

The provider cannot start delivering those benefits until the organization lets go. While the relationship manager and the team has "worked closely with the provider to review the transition plan, get the appropriate input, and play their roles, the primary transition role belongs to the provider. They must take the reins and drive the implementation forward. How the provider handles the transition and the inevitable obstacles will be a good barometer of the provider s quality and how it will perform.

## 7. SERVICE DESK OUTSOURCING TEMPLATE

# IT Services

## Outsourcing Template
## Service Desk

| | | |
|---|---|---|
| Status: | In draft<br>Under Review<br>Sent for Approval<br>Approved<br>Rejected | |
| Version: | <<your version>> | |
| Release Date: | | |

## Service Desk Outsourcing Template

*The document is not to be considered an extensive statement as its topics have to be generic enough to suit any reader for any organization.*

*However, the reader will certainly be reminded of the key topics that have to be considered.*

**This document serves as a TEMPLATE FOR ENGAGING AN EXTERNAL PARTY TO MANAGE A SERVICE DESK. This document provides a basis for completion within your own organization.**

**This document contains prompts and text that would be meaningful for this activity.**

This document was;

Prepared by: ______________________________
On: <<date>>

And accepted by: ______________________________
On: <<date>>

## IT OUTSOURCING SERVICE AGREEMENT BETWEEN

___________________________

**AND**

______________________

THIS AGREEMENT between ________________ ("OUTSOURCER") and _______________________("CLIENT") is made this ____ day of _________, ____.

WHEREAS, the CLIENT desires to purchase IT management and operation outsourcing services in support of the management and operation of the company's Information Technology need ; and

WHEREAS, OUTSOURCER wishes to provide the total outsourcing services described herein in accordance with the terms and conditions hereof;

NOW THEREFORE, in consideration of the payments herein agreed to be made and the covenants and agreement herein contained, the parties hereto, intending to be legally bound, hereby agree to the following:

### 1. SERVICES

Starting on the Effective Date (as defined in Section 3.1), OUTSOURCER shall perform the IT Outsourcing services described in this Agreement and Exhibit A, attached hereto and made a part hereof ("Scope of Services").

### 2. COST FOR SERVICES

The costs for services to be provided by OUTSOURCER are set forth in Exhibit B attached hereto and made a part hereof. Such costs shall be subject to a cost of living adjustment, as more fully set forth in Exhibit B.

### 3. TERMS AND CONDITIONS

#### 3.1 Term:

This Agreement shall commence on ______________________, 19___ (the "Effective Date"), and terminate on ________________________, 19___.

#### 3.2 Invoices and Payment Terms:

**3.2.1** OUTSOURCER shall submit monthly invoices to the CLIENT. Invoices shall be issued before services are rendered by OUTSOURCER and shall be submitted by OUTSOURCER at least 30 business days before payment is due by the CLIENT.

**3.2.2** Exhibit C indicates the monthly amounts to be paid by the CLIENT for OUTSOURCER staff services and expenses. The CLIENT shall pay according to this schedule. Payment not received within [five (5)] days of the due date will be subject to an interest charge. All interest charges will be computed at the current prime rate.

### 3.3 Data Processing Equipment and Supplies:

Subject to Section 3.9(c) below, as between the parties, the CLIENT reserves and retains the right, title and interest in any and all computing equipment, software, systems, data, output and other materials or property except that which is furnished by OUTSOURCER **and is not developed pursuant to this Agreement,** which retains such rights itself. Upon expiration or earlier termination of this Agreement, OUTSOURCER shall relinquish to CLIENT the use of equipment provided by CLIENT in as good condition as when turned over to OUTSOURCER, reasonable wear and tear excepted.

**3.3.2** All costs relating to data processing equipment and supplies for the CLIENT's computer functions shall be the responsibility of the CLIENT.

**3.3.3** All costs relating to OUTSOURCER's consultants fee, salaries, Medical, Insurance, recruitment fee, training expenses shall be the responsibility of the OUTSOURCER.

**3.3.4** The CLIENT shall also provide to OUTSOURCER, at no charge to OUTSOURCER subject to Section 3.17 CLIENT Policy and Procedures, in order to allow OUTSOURCER to perform under this Agreement.

**(a)** All utilities, including any special power and air conditioning needed, **as determined solely by CLIENT**, to operate the CLIENT's data processing equipment and storage of computer supplies;

**(b)** Storage, in an area removed from the data processing site, for historical data and backup material that may be needed to reconstruct data files in the event working files are destroyed by natural disasters, fire, riots or other causes;

**(c)** Computing supplies such as paper, forms, ribbons, tapes, disk packs and microfilm; and

**(d)** Security, fire control equipment and janitorial support for the CLIENT's data processing facilities.

### 3.4 Work Space:

At no charge to OUTSOURCER, subject to Section 3.17 CLIENT Policy and Procedures, the CLIENT shall provide OUTSOURCER, with an appropriately furnished, conveniently located office or other suitable work space for use by the OUTSOURCER staff in performing work under this Agreement. Also at no charge to OUTSOURCER, the CLIENT shall provide office supplies, telephone service and reproduction, telecommunications and office equipment reasonable and necessary to support OUTSOURCER's staff and performance of this Agreement.

**3.5 Use of Data Processing Equipment:**

At no charge to OUTSOURCER, subject to Section 3.17 CLIENT Policy and Procedures, the CLIENT shall provide OUTSOURCER access to all equipment, equipment services, programs and supplies necessary to support the computing needs of the CLIENT. The CLIENT shall provide OUTSOURCER's staffs access to all such equipment so that OUTSOURCER may perform its obligations under this Agreement including, but not limited to, operating all such equipment.

**3.6 Use of Software and Access to Personnel:**

For purposes of performance under this Agreement, OUTSOURCER shall have complete access to, shall operate and shall, subject to CLIENT's approval and obligations of CLIENT under third party agreements, have the right to modify or alter all CLIENT software programs and related material, pursuant to the Scope of Services. OUTSOURCER shall also have reasonable access to the CLIENT's management, professional and operating personnel necessary for performance under this Agreement, as well as to all materials, records, discs, tapes or other information necessary to perform the services contemplated herein. OUTSOURCER and CLIENT each realize that time is of the essence in order to accomplish the objectives of this Agreement, including the Scope of Services. OUTSOURCER agrees to respond to requests for support from CLIENT in a timely and reasonable manner. CLIENT agrees to handle OUTSOURCER's requests for support, to the best of its ability, in a timely and reasonable manner.

**3.7 Status Reporting:**

OUTSOURCER management staff shall conduct regular meetings with the CLIENT **Contract** Administrator (as defined in Section 4.2.1 hereof) and such other persons as may be designated by the CLIENT to formally review OUTSOURCER performance under the terms of this Agreement. These meetings shall be conducted at a time and location mutually agreed upon.
OUTSOURCER shall also prepare, on a monthly and quarterly basis, as applicable, a written status report which documents past activities and outlines planned activities for the forthcoming month or year.

**3.8 Non-Solicitation:**

**3.8.1** Beginning on the Effective Date and continuing for a period of one year from the expiration or termination of this Agreement, the CLIENT shall not, without OUTSOURCER's prior written consent (which consent may be withheld at OUTSOURCER's sole discretion), enter into any **contract** (including, but not limited to, an employment **contract**, facilities management **contract** or consulting **contract**) with (i) any employee or former employee of OUTSOURCER who performed work under this Agreement within two years of such **contract** (an "OUTSOURCER Employee") or (ii) any person, firm, corporation or enterprise by which the OUTSOURCER Employee is employed or with which such OUTSOURCER Employee is affiliated (including, but not limited to, as a consultant, shareholder, partner, officer or director) ("OUTSOURCER Employee's New Firm"), whereby the OUTSOURCER Employee or OUTSOURCER Employee's New Firm would provide to the CLIENT all or part of the services provided by OUTSOURCER to the CLIENT under this Agreement.

**3.8.2** Beginning on the Effective Date and continuing for a period of one year from the expiration or termination of this Agreement, OUTSOURCER shall not, without CLIENT's prior written consent (which consent may be withheld at CLIENT's sole discretion), enter into any **contract** (including, but not limited to, an employment **contract**, facilities management **contract**, or consulting **contract**) with (i) CLIENT employee(s), or (ii) any person, firm, corporation or enterprise by which the CLIENT Employee is employed or with which such CLIENT Employee is affiliated (including, but not limited to, as a consultant, shareholder, partner, officer or director) ("CLIENT Employee's New Firm").

**3.9 Confidentiality and Ownership of Material:**

**3.9.1** Subject to paragraph (c) below, ownership of all data, material and documentation originated and prepared for the CLIENT pursuant to this Agreement shall belong exclusively to the CLIENT. Upon termination of the Agreement, all such data, material and documentation shall be returned by OUTSOURCER to the CLIENT.

**3.9.2** CLIENT and OUTSOURCER shall treat the other's "Confidential Information" (as defined below) as proprietary. Each of CLIENT an OUTSOURCER shall (i) exercise due care to keep in confidence and not disclose Confidential Information to any individual other than its own employees who have a "need to know" in order to perform the obligations of CLIENT or OUTSOURCER, as applicable, under this Agreement; (ii) not duplicate or publish any Confidential Information; and (iii) use Confidential Information only for the purposes authorized herein. The foregoing obligations shall not apply to Confidential Information if, and only to the extent that, it:

(a) is or becomes public knowledge through no fault of either of the parties hereto
(b) was previously known by the recipient;
(c) is lawfully provided to the recipient without restriction by an independent third party; or
(d) must be disclosed pursuant to applicable law or regulation; provided, however, that with respect to exception (a), the disclosing party (i.e., the party who is disclosing to a third party information which is confidential to the other party to this Agreement) shall first establish that the full particulars of the Confidential Information are, in the combination disclosed to the disclosing party, well known or generally used within the industry, not merely that the individual features are in the public domain or available in isolated segments in two or more readily-available public sources;

and provided, further that the burden shall be on the disclosing party to prove the applicability of any of exceptions (a), (b), and (c).

**3.9.3** For purposes hereof, “Confidential Information” shall mean manufacturing, engineering, software, business, customer, marketing, financial and other non-public information, reports or trade secrets relating to the business of OUTSOURCER or the CLIENT, as applicable, and created or learned by the CLIENT or OUTSOURCER, as applicable, in connection with the performance of this Agreement.

**3.9.4.1** All worldwide right, title and interest in Intellectual Property Rights (as defined below) relating to in severable improvements in software and documentation not owned by or licensed to OUTSOURCER, which improvements are made, conceived or developed by OUTSOURCER in the performance of its duties under this Agreement shall vest exclusively in CLIENT. In severable improvements shall mean those improvements that are not applicable to other software.

**3.9.4.2** All worldwide right, title and interest in Intellectual Property Rights in, to, or relating to new software, including without limitation, modules, subroutines and stand-alone programs, and related documentation made, conceived or developed by OUTSOURCER in the performance of its duties under this Agreement shall vest exclusively with CLIENT.

**3.9.4.3** All worldwide right, title and interest in Intellectual Property Rights in, to, or relating to severable improvements and modifications made, created, conceived or developed by OUTSOURCER in the performance of its duties under this Agreement, to software and related documentation not owned by or licensed to OUTSOURCER, shall vest exclusively in CLIENT. Severable improvements shall mean those improvements having application in and to other software.

**3.9.5** “Intellectual Property Rights” shall mean all patents, trade secrets, and copyrights in, covering, and relating to software and documentation made, created, conceived, developed, improved or modified by OUTSOURCER in the performance of its duties under this Agreement.

**3.9.6** Notwithstanding the foregoing to the contrary, Software developed under grants where OUTSOURCER is responsible for all aspects of development shall be done under a specific change of scope, and the ownership of the software so developed shall be governed by the grant provisions, and if there are no ownership requirements under the grant provisions, then the provisions of subparagraph (d) shall apply.

**3.9.7** Notwithstanding the foregoing to the contrary, Software developed under grants where OUTSOURCER provides management and coordination services only shall not require a specific change of scope, and the ownership of the software so developed shall be governed by the grant provisions, and if there are no ownership requirements under the grant provisions, then the provisions of subparagraph 3.9.4 shall apply.

**3.10 Liability and Warranties:**

**3.10.1** **Subject to its record retention policies,** the CLIENT shall maintain Adequate Supporting Material to enable OUTSOURCER to update or regenerate, as necessary, data files, printer outputs and other data. In the event of loss, damage, destruction of any data, service, system or program due to the negligence of OUTSOURCER, OUTSOURCER's liability therefore shall be limited to either the replacement, repair, reconstruction, redevelopment or regeneration, at OUTSOURCER's option, of the lost, damaged, destroyed or inoperable data, service, system or program from the CLIENT's supporting material or otherwise as appropriate in the method deemed, most suitable, by OUTSOURCER for such action. In the event the CLIENT has failed to maintain Adequate Supporting Material, Outsourcer's liability shall be strictly limited to the same costs of replacement, repair, reconstruction, redevelopment or regeneration as if the CLIENT had so maintained adequate supporting material. Adequate Supporting Material is defined for the purposes of this Section as the original source material or data input documents initially provided to OUTSOURCER or replacement source material or data input documents provided to OUTSOURCER from time to time from which OUTSOURCER has obtained and input data in performance of its services hereunder. OUTSOURCER shall not be liable for any damages resulting or arising from CLIENT's failure to perform its obligations hereunder, **provided that OUTSOURCER is not responsible for such failure to perform.**

**3.10.2** **To the extent permitted Law**, OUTSOURCER shall not be liable, whether contractually or in tort, for any consequential, special or indirect damages arising out of or in connection with this Agreement. **To the extent they are beyond the reasonable control of OUTSOURCER**, OUTSOURCER shall not be responsible for schedule delays, inaccuracies or other consequences resulting from incorrect CLIENT data, lateness in delivery of CLIENT's data or the failure of CLIENT's equipment or personnel.

**3.10.3** OUTSOURCER agrees to be liable for, defend and indemnify CLIENT against all claims, suits, judgments or damages, including the cost of administrative hearings, court costs and attorneys fees, arising out of the negligent or intentional acts or omissions, or violations of laws or regulations, of or on the part of OUTSOURCER or its agents, officers, subcontractors or employees, in the course of the operation of this Agreement.

**3.10.4** **Warranties:** OUTSOURCER SHALL PERFORM THE SERVICES UNDER THIS AGREEMENT IN ACCORDANCE WITH STANDARDS OF CARE, SKILL AND

DILIGENCE CONSISTENT WITH RECOGNIZED AND PRUDENT INFORMATION TECHNOLOGY PRACTICES, ALL APPLICABLE LAWS AND REGULATIONS, THE SCOPE OF SERVICES, EXHIBITS, DOCUMENTS AND PROCEDURES APPLICABLE TO THE SERVICES, AND THE DEGREE OF KNOWLEDGE, SKILL AND JUDGEMENT NORMALLY EXERCISED BY PROFESSIONALS WITH RESPECT TO SERVICES OF THE SAME OR SIMILAR NATURE. THIS IS THE ONLY WARRANTY MADE BY OUTSOURCER WITH RESPECT TO ITS SERVICES UNDER THIS AGREEMENT AND TO THE EXTENT PERMITTED BY LAWS IS IN LIEU OF ALL OTHER UNDERSTANDINGS AND ALL WARRANTIES, EXPRESSED, IMPLIED OR STATUTORY, AS TO THE SERVICES TO BE PROVIDED BY OUTSOURCER, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR USE FOR A PARTICULAR PURPOSE.

**3.11 Taxes:**

This Agreement does not include charges for any taxes, which now or in the future may be deemed by a taxing authority to be applicable to the services to be provided by OUTSOURCER. In the event a taxing authority determines now or in the future that such services are subject to tax,
OUTSOURCER shall invoice such taxes to the CLIENT and the CLIENT shall pay same simultaneously with the payment to which taxes relate.
CLIENT hereby represents that it is not currently subject to any such taxes and will notify OUTSOURCER in a timely manner if CLIENT becomes subject to any such tax. At the time of execution of this Agreement taxes on services provided by OUTSOURCER to CLIENT hereunder are not required to be paid, but if in the future are required, then CLIENT shall pay such taxes.

**3.12 Force Majeure:**

If either OUTSOURCER or the CLIENT is prevented from performing any task hereunder, in whole or in part, as a result of a cause beyond its reasonable control, which may include an Act of God, war, civil disturbance or **organized labor dispute,** such failure to perform shall not be grounds for termination of this Agreement.

**3.13 Termination:**

**3.13.1** This Agreement may be terminated by a party (the “Terminating Party”) prior to the expiration of its stated term upon the occurrence of an “Event of Default” affecting the other party (the “Terminated Party”)

**3.13.2** An “Event of Default” shall mean:

**(a)** failure by a party to timely perform any obligation under this Agreement, including without limitation CLIENT’s failure to pay or cause to be paid any sums due in the manner provided in this Agreement within fifteen (15) business days of the date such payments were due; or OUTSOURCER not performing any of its obligations in accordance with this Agreement and all Exhibits thereto; or

**(b)** any representation or warranty made by either party herein or in any document executed simultaneously and in connection herewith, or in any document or certificate furnished in connection herewith or therewith or pursuant hereto or thereto shall have been incorrect in any material respect at the time made; or

**(c)** Upon the occurrence of an Event of Default the Terminating Party may give notice of termination to the Terminated Party, identifying in reasonable detail the nature of the Event of Default. Thereupon, the Terminated party shall have 30 days to correct in all material respects the Event of Default (15 business days if the Event of Default consists of CLIENT's failure to pay outstanding sums within 15 business days of the date the payment was due). If the Terminated party so cures the Event of Default, then the notice of termination shall be ineffective. If the Terminated party does not so cure the Event of Default within the aforementioned period, then this Agreement shall be terminated upon the expiration of such period (the "Termination Date").

**3.13.3** CLIENT shall pay OUTSOURCER in full, within 15 business days of receipt of a final invoice from OUTSOURCER, for all services rendered up to and including the Termination Date.

**3.14 Phase Over:**

**3.14.1** Prior to the expiration pursuant to its term of this Agreement, OUTSOURCER shall develop a plan for the orderly transition of all services provided by OUTSOURCER under this Agreement (the "Transition Plan"). Such Transition Plan shall be developed by OUTSOURCER in conjunction with OUTSOURCER's employees on site, the CLIENT's executives and administrators and such other persons as shall be designated by the CLIENT. The CLIENT shall fully cooperate with OUTSOURCER in order to develop the Transition Plan. The Transition Plan shall be completed no later than 90 days prior to expiration of this Agreement. It shall cover, inter alia, the training of CLIENT's personnel in the operation and maintenance of the systems used and operated by OUTSOURCER during the term of the Agreement. CLIENT shall notify OUTSOURCER of its acceptance of the Transition Plan within 14 days of receipt from OUTSOURCER.

**3.14.2** OUTSOURCER shall complete all transition activities associated with the orderly termination of this Agreement on or before the date the notice of termination becomes effective. OUTSOURCER shall effect the transition to the CLIENT.

**3.14.3** If due to OUTSOURCER's actions or omissions (i) the Transition Plan is not completed within the aforementioned period and the notice of termination becomes effective, or (ii) if the Transition Plan is completed and the notice of termination becomes effective but an orderly transition is not effected prior to the Termination Date, then OUTSOURCER shall continue to perform such services as may be required by the CLIENT, at no additional cost to CLIENT, in order to operate the CLIENT's computing system until such time as an orderly transition may be effected, but no later than 90 days after the Termination Date.

**3.14.4** In the event of termination of this Agreement following the occurrence of an Event of Default on the part of OUTSOURCER, OUTSOURCER shall immediately upon the issuance of the notice of termination develop a Transition plan in accordance with the procedures set forth in paragraph (a) except, however, that the Transition Plan shall be completed no later than 30 days after the date of the notice of termination. CLIENT shall notify OUTSOURCER of its acceptance of the Transition Plan within 14 days of receipt from OUTSOURCER. OUTSOURCER shall complete all Transition activities associated with the termination by reason of its default no later than 60 days following OUTSOURCER's receipt of CLIENT's acceptance of the Transition Plan.

**3.14.5** In the event of termination of this Agreement following the occurrence of an Event of Default on the part of CLIENT, then OUTSOURCER may, at the sole option of CLIENT, continue to perform such services as may be required by the CLIENT, at its rates then in effect, in order to operate the CLIENT's computing system until such time as an orderly transition may be effected, but no later than 90 days after the Termination Date; provided, however, that if the Event of Default consists in CLIENT's failure to pay any sums due OUTSOURCER, then OUTSOURCER shall continue to perform such services as may be required by the CLIENT after the Termination Date, at OUTSOURCER's rates then in effect, only if the CLIENT pays for such services in advance.

**3.15 Funding:**

**3.15.1** CLIENT hereby represents to OUTSOURCER that (i) the services to be performed by OUTSOURCER hereunder are necessary to CLIENT's efficient operation of its business and (ii) to the best of its knowledge, after investigation, it believes that sufficient funds may be obtained by it or appropriated for it in order to make all payments contemplated hereby.

**3.15.2** CLIENT shall make its best efforts to obtain, or cause to be appropriated as part of CLIENT's annual budget, sufficient funds to pay the sums due from time to time hereunder.

**3.16 Independent Contractor Status:**

OUTSOURCER and CLIENT acknowledge and agree that OUTSOURCER is and shall be an independent
contractor; that neither OUTSOURCER nor any of its employees, representatives or agents is, or shall be deemed to be, an employee, partner or joint venture of the CLIENT; and that neither OUTSOURCER nor any of its employees, representatives

or agents shall be entitled to any employee benefits under any employee benefit plan, including medical, insurance and other similar plans, of the CLIENT. OUTSOURCER further acknowledges that the CLIENT will not withhold any amounts in respect to local taxes
from amounts payable by the CLIENT hereunder and it shall be the exclusive responsibility of OUTSOURCER to pay all amounts due in respect of applicable federal, state and local taxes on such amounts.

**3.17 Client Policy and Procedures:**

OUTSOURCER agrees to comply with all applicable CLIENT policies and procedures, including but not limited to those regarding conditions of work, access to and use of CLIENT's offices, facilities, work space, support services, supplies, Data Processing Equipment and software and access.

**4. MISCELLANEOUS PROVISIONS**

**4.1 Severability:**
Each provision of this Agreement shall be a separate and distinct covenant and, if declared illegal, unenforceable or in conflict with any governing law, shall not affect the validity of the remaining portion of this Agreement.

**4.2.1 Client's Contract Administrator:**
The CLIENT shall appoint as **Contract** Administrator _________________, who will be delegated the duty and responsibility of maintaining liaison with OUTSOURCER and to oversee performance of this Agreement.

**4.2.2 OUTSOURCER's Contract Administrator:**
The Outsourcer shall appoint as **Contract** Administrator __________________, who will be delegated the duty and responsibility of maintaining liaison with CLIENT and to oversee performance of this Agreement.

**4.3 Successors:**

This Agreement and all future amendments shall be binding on parties and their heirs, successors and assigns. The CLIENT agrees that OUTSOURCER may pledge or assign the net sums of money due and to become due to it hereunder to any bank, lending agency or institution as collateral security.

**4.4 Renewal/Extension:**

Upon written agreement of both parties entered into at least ninety (90) days prior to the expiration date, this Agreement may be extended for successive one year periods on the terms and conditions then in effect subject however, to such modifications as may be set forth in the extension agreement.

### 4.5 Entire Agreement-Amendments:

**(a)** This Agreement, together with the Exhibits hereto, embodies the entire agreement and understanding between the parties hereto and supersedes all prior understandings and agreements, whether written or oral, between the parties hereto relating to the matter hereof.

**(b)** This Agreement (including the Exhibits hereto) may not be amended or modified except in writing signed by the parties hereto.

### 4.6 Assignment

This Agreement may not be assigned by either party without the prior written consent of the other party. **For the avoidance of doubt, a change of control of OUTSOURCER shall not constitute an assignment for purposes hereof.**

### 4.7 Attorneys Fees

In the event that suit is brought to enforce the provisions of this Agreement, the prevailing party, as determined by the judge, or arbitrator in the event of arbitration, shall be entitled to an award of reasonable attorneys' fees, paralegals' fees and court costs, whether incurred before trial, at trial, during appeals, or in any mediation or arbitration required by a court.

## 8. FURTHER READING

For more information on other products available from The Art of Service, you can visit our website: http://www.theartofservice.com

If you found this guide helpful, you can find more publications from The Art of Service at: http://www.amazon.com