

Results-Based Contracting

Work Smart

- Get Specific Results
- Change Promises into Contractual Rights
- Ensure Vendor Compliance
- Get Meaningful Remedies
- Reduce Your Risk of Project Failure
- Save Money, Time, Aggravation and Future Headaches

Overview

Early in the acquisition process, effective negotiating teams must agree upon the concept of which contractual approach they will use to drive the deal. ICN's advanced training course SLA Lab: Results-Based Contracting helps you understand the difference between contracting for resources and contracting for results and shows you how to implement a "results deal".

This "results versus resources" decision establishes which side of the bargaining table will bear the responsibility for the results you're expecting from the deal. In a "results deal," the vendor is responsible, while in a "resource deal," it's the customer.

In SLA Lab, learn how to shift risk and responsibilities to the vendor and monitor ongoing compliance. These include:

- Contract and RFP Development tools for developing service levels
- Corporate alignment—getting input & buy-in from stakeholders
- Data gathering and measurement—a "how to" process and pitfalls to avoid

- Document library—examples and tools for service levels
- Handling of vendor ploys in service level areas
- Internal teams—organizing customer stakeholders to make better service levels
- Management policies and practices—getting critical management buy-in
- Monitoring and compliance—ensuring agreed-to SLAs are followed
- Performance reviews and escalation—how to solve service level disputes
- Reconciliation strategies—how to balance service level debits & credits over time
- Remedies and rewards—motivating vendors to peak performance
- Results-based services—obtaining outcomes, not activities
- Sample templates and forms—examples of service level contracting tools
- Scorecards and Dashboards—examples of management reporting tools

Critical Elements Including:

- Inducements
- Warranties
- Acceptance Testing
- Effective SLAs
- Deliverables
- Contract Management
- Milestones
- Developing Metrics
- Meaningful SOW
- Payment Triggers
- Monitoring Compliance
- Remedies

Remember:
Service levels determine your level of service!

Valuable Takeaways

You will receive more than 20 tools and resources, including:

1. Service Level Templates
2. Sample Service Level Measurement Formats
3. Scorecard Templates
4. Dashboard Illustrations
5. Position Paper
6. Sample Service Level Agreement
7. Financial and Non-financial Incentives
8. Responsibility Matrix
9. Negotiations Ploys and How to Handle Them
10. Performance Pools
11. Reconciliation Strategies

What Differentiates This Workshop?

More than conceptual in nature, this SLA Lab is an advanced workshop featuring specific examples from highly experienced practitioners. It's designed to give professionals exactly what they want—enough how-to information and hands-on tools to significantly improve their SLAs and SOWs.

In addition, each professional who attends the workshop will receive information-packed takeaways, including SLA examples, templates, sample documents and checklists.

Workshop Outline

Workshop Length: 2 Days

The Problem

1. Vendor pitches a “solution”
2. Customer believes vendor’s sales pitch
3. A contract is signed
4. Project milestones aren’t met
5. Quality of services and products are poor
6. Project is over budget
7. Vendor doesn’t respond to customer’s concerns
8. Vendor claims substantial performance
9. Vendor wants payment in full
10. Vendor demands additional money for scope change
11. Customer doesn’t document vendor’s performance
12. Customer disputes delivery of “solution”
13. Customer resists demands for payment
14. Vendor and customer don’t agree on what performance was promised by vendor
15. Contract isn’t sufficiently clear

The Solution

1. Before signing contract, vendor and customer must agree
2. Write agreed-to results and service levels into the contract
3. Make remedies and rewards part of the contract
4. Customer manages contract to the agreed-upon results and service levels
5. Remedies used if vendor doesn’t provide the results
6. Management is consistent after contract is signed

The Benefits

1. Required results are known to all parties
2. Adequacy of performance is measured
3. Remedies/rewards are provided
4. Customer gets what it contracted for
5. Vendor gets what it contracted for
6. Disputes are avoided

Ten-Step Service Level Process

1. Establishing teams
2. Gathering requirements
3. Identifying what is important
4. Building incentives
5. Creating a management process
6. Gaining alignment
7. Creating the contracts
8. Negotiating and leverage
9. Implementing the program
10. Monitoring and adjusting

Establishing teams

1. Increase buy-in
2. Use capable contributors
3. Control information flow
4. Represent all those affected
5. Broaden knowledge sharing
6. Get better outcomes
7. Create better contracts
8. Improve negotiation leverage
9. Improve contract management
10. Establish advisory team
11. Establish table team

Gathering requirements

1. Past experiences
2. Performance expectations
3. Prioritized objectives
4. New products/services
5. Politics and personal agendas
6. Determination of when service levels are not needed
 - a. Low risk
 - b. Costs exceed value

Developing service level process

1. Develop objectives
2. Establish acceptable range of performance
3. Create the formula for measuring the service level
4. List the sources of the data
5. Collect data
6. Produce reports

Identifying development pitfalls, including

1. The “resource” trap
2. The multiplier effect
3. The “fallacy of averages”
4. Unintended consequences
5. Fuzzy language

Building service level incentives and remedies

1. Focus for vendor attention
 - a. Direction
 - b. Intensity
 - c. Influence on vendor’s compliance and behavior
 - d. Distribution of risk of noncompliance
2. Types of service level incentives
 - a. Financial
 - b. nonfinancial
3. Failure of service level incentives
4. Success factors
 - a. Understanding of impact of vendor’s nonperformance
 - b. Application of our negotiation power

Gaining alignment and approvals

1. Prepare a position paper
2. Get authority
3. Use as game plan
4. Set team direction
5. Prioritize objectives
6. Gather project information
7. Identify vendor strengths and weaknesses
8. Set service level objectives
9. Identify service level key issues
10. Identify service level challenges
11. Gain input from a strategic viewpoint

Developing a contract

1. Contents of the contract
2. Contents of the service level exhibits
3. Reasons for including service levels in the contract
4. Wording applicable to all transactions
5. Order of precedence among documents
6. Tolerances
7. Measurements
8. Data sources
9. Frequencies
10. Incentives
 - a. Specify wording
 - b. Determine what dangerous wording to avoid in drafting service levels

Developing a RFP

1. Lay out expectations early
2. Allow all vendors to review and react to the same items
3. Specify power of RFP in creating valued service levels
4. Help avoid confusion and misinterpretation
5. Facilitate competition

Negotiating service levels

1. Negotiating service levels are unique
2. A different creativity is needed
3. Increased intensity is present
4. Unique ploys are used by vendors
5. Service levels focus on mission-critical performance
6. Vendors push harder to sign the contract now and work out service level details later
7. Vendor negotiation ploys include:
 - a. "We've been working together for years and you know we'll make you happy."
 - b. "We don't need service levels in the agreement; none of our clients have complained about our service."
 - c. "There are too many things beyond your control and our control, and too many variables for us to be able to commit to your service levels."
 - d. "Our product [or service] is too new for service levels."

8. Negotiating success requires:
 - a. Focus on results-based contract
 - b. Use your contract
 - c. Put service levels in the RFP
 - d. Negotiate with two or more vendors

Implementing service levels

1. Ramp up
2. Develop a project plan
3. Use a RACI chart
4. Communicate internally
5. Run a pilot/simulation/quality walk-through in context
6. Conduct training
7. Finalize reports, templates, etc.
8. Ensure that tools are working properly
9. Verify that resources are in place prior to monitoring and managing
10. Update document library
11. Conduct kickoff meeting with the vendor
12. Review service levels
13. Identify key vendor personnel
14. Identify key customer contacts

Managing service levels

1. Ensure compliance with SLOs
2. Accurately document performance
3. Invoke incentives appropriately
4. Gain insight into future decisions
5. Improve/change control
6. Plan for future business with this vendor
7. Plan for termination of contract

8. Properly assign staffing
9. Train staff
10. Identify single point of coordination
11. Key processes
 - a. Collecting data
 - b. Measuring
 - c. Reporting
 - d. Reviewing performance
 - e. Resolving disputes
 - f. Executing remedies/rewards
 - g. Improving/changing control
 - h. Auditing
 - i. Logging open issues/incidents
 - j. Writing deficiency letters
 - k. Using scorecards, dashboards and other reports

Monitoring, managing and improving

1. Measure performance
2. Generate reports
3. Create scorecards
4. Create dashboards
5. Identify trends and issues
6. Conduct root cause analysis
7. Hold status meetings
8. Report on open issues
9. Review performance
10. Allow for rolling estoppel
11. Develop performance notices
12. Change control and the succession plan
13. Recognize defined change management/change control process as essential

SLA Lab™

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