A successful client relationship must be built upon a strong foundation. This means understanding the client’s expectations and being upfront about your requirements to deliver against these expectations. Many organizations do not have formal agreements, especially for internal services. Others rely on service level agreements that are typically one-way, boilerplate agreements focused on outputs and costs. Today more organizations are incorporating leading practices and leveraging Service Partnership Agreements to document, support and develop true partnerships with their clients.

The advantage of SPAs over SLAs are that they reflect the more collaborative nature of today’s Shared Services and recognize the responsibilities of both parties in making the Shared Services model a success. Ideally, the SPA is developed along the transformation journey and simply documents the shared decision-making around key governance topics such as outputs, inputs, roles, responsibilities, escalation and performance monitoring. But all organizations can benefit from the supportive power of SPAs, as long as the process to develop them is based on true client engagement and not an activity to complete in order to check an item off a task list.

SPAs are new tools for many organizations, so we start with a definition and compare it to SLAs with which many are more familiar. We review the process to develop SPAs and close with SPA best practices.

**SPA DEFINITION**

A Service Partnership Agreement is a formally negotiated agreement that confirms expectations, clarifies responsibilities and facilitates communications between the service provider and the client. It is first and foremost a means of communicating, managing and guiding a Shared Services relationship:

<table>
<thead>
<tr>
<th>What a SPA IS</th>
<th>What a SPA is NOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>A communication tool</td>
<td>A mandate</td>
</tr>
<tr>
<td>An expectations-managing mechanism</td>
<td>A tool for either party to “get” something from the other</td>
</tr>
<tr>
<td>A conflict reduction tool</td>
<td>A complaint-stifling mechanism</td>
</tr>
<tr>
<td>A living document</td>
<td>A unilateral decision-making process</td>
</tr>
<tr>
<td>An objective process for gauging service effectiveness</td>
<td>A quick fix</td>
</tr>
</tbody>
</table>

**Contrasting with SLAs**

In contrast to service level agreements, SPAs work both ways, highlight ownership and responsibility for “inputs”, and are very much used as a means of driving improvements through a given process. As such, a SPA is a flexible, evolving tool that helps to reflect changes in client requirements to the services provider.
“Service Level Agreements are similar to that hammer in the tool box with the well-worn handle, we often end up in an adversarial relationship and are just as likely to damage the situation as improve it.”

Chas Moore, Managing Director, North America (West), Chazey Partners

Critical Steps in Designing a SPA

For best results, SPAs should be developed during the Shared Services Design phase, refined during the Build/Deploy and maintained and updated during operations. One of the key failure points with SLAs (beyond their typical legalese, one-way nature, and inflexible wording) is that they are often thought of after-the-fact, as a need-to-do after go-live. This commonly results in whomever has capacity after go-live being given the task of consulting with stakeholders and leveraging a standard template to create a tool that is seen as necessary requirement, but something to gather dust on a shelf. In contrast, SPAs are first and foremost communication document leveraged regularly to help drive root cause analysis, to improve the process, and engage the client/provider relationship.

It is important to distinguish between the SPA document and the process by which that document is established. Ideally, the process develops and improves the relationship between service provider and client while also defining the actual agreement (document) that governs the relationship (see below).
Six Fundamental Elements of a SPA

There are six fundamental elements to a SPA, which include 3 service elements, and 3 management elements (see Figure below). Organizations often focus primarily on the service elements and overlook the management elements. As a result, when the SPA fails to live up to expectations, the problem is often that the management elements have been neglected.

Key Elements of a SPA

- **SERVICE ELEMENTS**
  - **WHY**
    - Context Setting Information
  - **WHAT**
    - Service Description
  - **HOW/WHEN**
    - Service Standards

- **MANAGEMENT ELEMENTS**
  - Service Tracking & Reporting
    - Change Process
    - Periodic Review

Organizations often focus primarily on the Service Elements and overlook the Management Elements. When an SPA does not function as the parties had hoped, the problem is often that it is missing some or all of the Management Elements.
Service Elements

1. **Service Descriptions:** Your customers need to understand and buy into your services. This means that you need to define them and their measures carefully, and you need to maintain the understanding over time and through staff turnover. (A sample service description is below.)

Sample Service Element

<table>
<thead>
<tr>
<th>Employee Training &amp; Development</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description:</strong></td>
</tr>
<tr>
<td><strong>Benefits:</strong></td>
</tr>
<tr>
<td><strong>Excluding:</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Availability</th>
<th>How to Obtain</th>
<th>Prerequisites</th>
<th>Contact Info</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:00-5:00 M-F</td>
<td>Submit HR form 12-546</td>
<td>See specific courses for pertinent prerequisites</td>
<td>Training manager, X5943</td>
<td>Policies &amp; Procedures Manual</td>
</tr>
</tbody>
</table>

2. The **Context Setting** information provides an overview of the SPA, such as cover page, table of contents, summary, parties to, purpose of and scope of the agreement, glossary of terms, related documents, and signatures and dates.

Service Elements also include Description and Service Standards, which provide detailed information on the environment, service availability, descriptions and benefits as well as services availability. It also lists services not covered.

3. Service Standards include availability, responsiveness, timeliness, quality, urgency levels, variations and service exceptions

Management Elements

The Management Elements section includes details on Tracking and Reporting, Reviews, the Change Process, and Problem Resolution. As part of the management elements, it is important to consider adding targets for Service Performance, consequences of failure, rewards, renegotiation procedures and the process for termination of the SPA.
SPA Best Practices

There are a number of important issues that can lead to a SPA's failure, despite the best efforts and intentions of both parties. Either party sometimes makes the mistake of using SPAs as a defensive tool or weapon, to apportion blame on the other. That is not its purpose. If the SPA process is followed carefully, such miscommunications or misunderstandings should be eliminated before they cause damage. The SPA process precedes the SPA document, and it is important to understand that this requires a time commitment. SPAs are not created over night. Putting the document first ignores the importance of building a partnership with your client/customer.

Again it is worth emphasizing that the management elements are what keep an SLA together. They guide the design process and are crucial to the success of the final output. It is also important that the SPA be created unilaterally, with both parties agreeing at every stage.

Finally, once the SPA is agreed it continues to evolve as the relationship evolves. An SPA allows for such transitions, as it is a living, breathing document. As such, it needs to be managed continuously.

**Best Practices include:**

1. Documenting the services, service levels, escalation procedures, and process ownership
2. Creating two-way agreements covering responsibilities of the provider and client, input & output KPIs, and process ownership
3. Negotiating and agreeing the SPAs with the SSO and client
4. Ensuring that SPAs are effective and truly describe the actual service levels, targets and processes, with a process in place to update regularly
5. Leveraging the SPAs to foster a sense of partnership and teamwork between the SSO and client

Summary

SPAs are about culture and changing culture will take an investment in change management. You cannot expect a piece of paper, however well-written, to change how people work together when their only experiences have been guided by service level agreements.

It may be a stretch to say that the relationship between service providers and clients under a Service Partnership Agreement is like spending the day at the spa, but we can say it will provide better results than hammering your clients with a SLA. If you aspire for a collaborative, effective relationship, you want a Service Partnership Agreement to document, guide and improve your journey.
Chazey Partners is a practitioners-led global management advisory business. We bring together a unique wealth of experience, empowering our clients to strive for world-class excellence through Business Transformation, Shared Services & Outsourcing, Technology Enablement, Process Enhancement and Corporate Strategy Optimization. We pride ourselves in having built, operated and turned around some of the world’s most highly commended and ground breaking Shared Services Organizations, and for implementing many highly successful multi-sourced delivery solutions. Over the last 20 years, we have delivered numerous programs globally, in the US, Canada, UK, Continental Europe, Ireland, India, Eastern Europe, South America, Singapore, Australia, China, Middle-East and Africa.

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