



*Tips for customers.*

*“An educated customer may have a firm idea about his needs, what he would wish to purchase. He may be able to specify these needs so that a supplier may understand them. A wise customer will nevertheless listen and learn from suggestions from a supplier”*

W. Edwards Deming, *The New Economics for Industry, Government, Education*

## The paper at a glance

**In this article I provide tips on how customers can manage their service providers so that both may benefit. These tips are written in the context of IT infrastructure service provision, but they are relevant to all service providers.**

More and more business activities are now being undertaken by service providers – both external and internal - yet dissatisfaction with the services provided is common and so are the drivers of this dissatisfaction (service failures/disruption, lack of responsiveness, same issues repeatedly).

Dissatisfaction leads to desertion – expensive for both parties. Better to work together on continuous service delivery improvement and cost reduction.

A mutually rewarding customer-provider relationship begins with a provider selection process that clearly and correctly sets consistent expectations of service scope and quality. The process also sets out the parameters for managing a successful relationship – service levels, performance reporting, multi-level communication, collaborative reviews, change management and continuous improvement.

Service quality and high customer satisfaction are not, however, solely the responsibility of the service provider. The customer also has responsibility for service assurance with regard to maintaining user competence, keeping work documentation and service documentation up to date, and testing business continuity plans and disaster recovery mechanisms (in conjunction with the service provider).

## What are service providers?

In the traditional model of a firm there are customers and suppliers, with all operations being "in-house". In the 1980s, service bureaus arose to provide limited marketing, facilities management and data processing services. As outsourcing exploded in popularity, shared services centres became fashionable in larger organisations (particularly for IT and financial services), and when the internet age arrived more and more business activities started being undertaken by external and internal service providers.

## Satisfaction with service providers

### What's the satisfaction level?

A general, and not insignificant, level of dissatisfaction of customers with service providers is common. This level of dissatisfaction is one which I have experienced in the areas of financial services, payroll services, IT infrastructure services, IT support services and software development services - working with both the customers of services providers and with service providers themselves.

### What is a "happy customer" satisfaction level?



The service providers who conduct customer satisfaction surveys commonly find an overall satisfaction in the 70% decile. Survey vendors tend to promote 80+% as "best practice" or "excellence". It may be "best" but it's not healthy (Australian readers will be familiar with bank misbehaviour and lack of attention to "customer interests" that come with around an 80% level of satisfaction)!

Scores of 95+% lead to loyal customers; below that, customers are "indifferent" or likely to "defect".

*The graph (left) is from Putting the Service-Profit Chain to Work by J. L. Heskett et al, HBR, Jul-Aug 1994 - classic and must-read article for all service providers and their customers.*

## What makes customers unhappy?

The major dissatisfiers are:

- Service disruptions to your daily work – services that you shouldn't have to think about – take up more and more of your staff's time.
- You're kept waiting when you have raised an issue
- Problems keep returning even after you've been told they have been fixed (and the ticket is "closed")
- You're treated disrespectfully or dismissively by the service provider's staff.

**TIP** - If your service provider surveys you, make sure you share the above HBR article with them, and ask that they include an update on their activities arising from the survey in their regular service reporting.

You also notice that the treatment you receive improves dramatically around contract renewal time or when you want to buy further services (or the provider wants to sell you further services).

## What are the consequences of being an unhappy customer?

The ultimate consequence of being an unhappy customer is that you move to another service provider. This is difficult for the customers of internal service providers but it's not impossible (outsourcing is still popular)! However, it is costly and will take a lot of your time and effort.

**TIP** - Before meetings with your service provider, use SurveyMonkey or similar to conduct a quick in-house survey of satisfaction with their service; provide the feedback to them and ask for regular updates on action they take in response.

Defection results from a customer suffering, over an extended period, poor service that gradually declines further as the relationship with the provider deteriorates and moves to conflict rather than collaboration.

## Building your satisfaction with a service provider

Being happy (an "Apostle") is obviously good for you and your service provider. In this article I provide some tips on how a customer can manage their service providers so that both are in a "zone of affection"! These tips are written in the context of IT infrastructure service provision in the small and medium sized business (SMB) sector, but many are relevant to customers of all types of external and internal service providers.

## Selecting a service provider

### Finding service providers

There are many, many IT infrastructure service providers (I'll call them "xSP"s) operating in Australia). Given this, one would think that finding an xSP would not take any effort - they'd be constantly calling and writing. This has not been my experience or observation.

Best places to start looking for a possible xSP:

- Your peers - ask them who they use, what services are provided and how satisfied are they with the service and value
- Your IT application vendor - most SMBs are dependent on a key application and the vendor will have a preferred or listed set of xSPs ("partners")
- Search engine - this will provide links to xSP websites and to magazines and analysts who provide list such as "Australia's Top 10 MSPs".

**TIP** - Referral from organisations with similar needs is best, but you should undertake some form of competitive evaluation - their needs may not in fact be exactly the same as yours.

Going to your technology provider - Microsoft, HPE, Dell etc - is unlikely to be useful as they have so many xSP partners.

### Getting a proposal

Governments and large organisations may choose to use a request for information (*RFI*), followed by a request for proposal (*RFP*) or request for quotation (*RFQ*) process but an RFP is sufficient for SMBs and most procurement efforts.

***TIP*** – Pursue a RFP process that:

- Provides complete, correct and clear information to all participating providers
- Makes your selection criteria absolutely clear to the providers
- Provides opportunity for providers to ask questions and seek clarification
- Is fair to all participating providers.

Responding to an RFP involves considerable effort and investment by providers, and they prefer not to be in open competition with other vendors as they are when a RFP is used. On the other hand, you need an efficient and effective process that delivers your desired outcome with the least cost and effort for you.

### Preparing a RFP

An RFP is a request for providers to propose services that will meet your business needs. It should have a structure something like this:

- Summary of your business need and why this need exists; key terms and conditions of the RFP; and, a list of invited providers or some indication of participants
- Your business imperatives, future direction of your organisation and your related IT needs; specific requirements; summary of the selection process and criteria; and, how participants will be informed of the outcome
- Details of how to respond to the RFP; key dates, required format (provide templates), required documents (MSA, SLAs - see below); obtaining further information; and, contact names(s)
- Your current IT inventory and other information relevant to the required services.

***TIP*** – Ensure that any critical needs (e.g. disaster recovery) are explicitly included or excluded in your request.

It is important that you structure your request in the form of a need for **services** not hardware/software/network **equipment**.

For example: “Data archiving that ensures any data file (related to the MS Office suite) can be retrieved up to 5 years prior to the date of the retrieval request, and within one (1) hour of the request being made” is preferred to “50GB of cloud-based file storage” or similar.

***TIP*** – Always stress your **service needs** not related **equipment**).

### Requesting proposals

Invite selected providers by email, providing them with all relevant documentation – in PDF format for information and native format (e.g. Excel) for templates – and announcing any briefing sessions (open or closed).

## Answering questions

If further information or clarification is asked for in a plenary (open) session with providers, provide the requested material to all. If asked privately (closed) by an individual xSP, provide it only to that xSP unless you feel that it is essential to all

**TIP** – *Keep a record of all questions/clarifications and the response, with dates to ensure all matters are resolved.*

vendors being able to do their best when responding to your needs. It is likely that you will have questions from each xSP responding to your RFP. Answer these in writing, supported by conversations if required.

## Evaluating proposals

Use the template and selection criteria described in the RFP, applying any weightings. Select a clear “winner” or 2 or 3 if the results are close.

Inform these that you will be commencing negotiations and inform the unsuccessful providers that you are doing so.

**TIP** – *Use templates to simultaneously evaluate all proposals using the selection criteria communicated to the xSPs; this will help ensure a rational selection free from any internal or external bias or influence.*

## Customer-Provider Agreements

### Master Service Agreements

A Master Service Agreement (MSA) is the formal contract between you and your service provider. It's a legal document so make sure you have your lawyer look at it – the service provider's lawyer wrote it! But it is not, and should not be considered to be, a document that is only useful if the relationship turns sour. Its primary purpose is to ensure mutual and consistent understanding between you and your provider of

**TIP** – *Use "track changes" and version control when reviewing the proposed MSA as it's easy for key points to be "lost" in the multiple exchanges of the document.*

each party's responsibilities and commitments. The xSP should furnish you with an editable form of their proposed MSA so that you can easily highlight matters for discussion and/or suggest alternative or additional wording.

Often a service provider will have a standalone MSA and state in correspondence or the MSA that their proposal (separate document) and other related documents (see below) are part of the overall agreement.

**TIP** – *Final versions of all contractual documents must be exchanged in PDF format.*

You should resist this and request that a single document be agreed. If not, associated documents must be clearly identified in the MSA by version and/or

date and be bundled with the MSA when agreement is reached.

### Service Level Agreements (SLA)

**ITIL** defines a Service Level Agreement (SLA) as an "agreement between an IT service provider and a customer. A service level agreement describes the IT service, documents the service level targets, and specifies the responsibilities of the IT service

provider and the customer" (some incorrectly refer to service level targets, e.g. "response within 24 hours", as "SLAs").

Your prospective service providers must provide their standard SLA as part of their response to your RFP. It should include their service offerings related to your stated service needs, providing details on:

- Scope of service (functionality, hours of operation etc.)
- Quality of service (performance, availability, security etc.)
- Service assurance (e.g. proving that a 5-year-old file can be retrieved)
- Monitoring and reporting of service delivery
- Change control
- Fees and charges
- Review and improvement.

*TIP - Review my [article](#) on getting the most benefit from an SLA.*

## **Incidents, Service Requests (and Problems)**

### *What's the difference?*

An incident is an "unplanned interruption to an IT service or reduction in the quality of an IT service" (e.g. "my login failed") whilst a service request is a "formal request from a user for something to be provided" (e.g. "please reset my password") - definitions from [ITIL](#).

### *Why distinguish?*

Incidents, being unplanned, have uncertainty associated with them and there is some justification for a xSP being unwilling to commit to a resolution time (although the justification is diminished if it's a familiar incident and a workaround is available).

Service requests on the other hand should have firm fulfilment times committed to by the provider.

### *What should be in an SLA?*

Service Level Agreements should clearly state:

- **Response times for incidents and service requests** – the time between a user raising the matter with the provider and the provider's support team telling the user "we're working on it" (and not by automatic return email).
- **Resolution times for incidents** – time to address the cause of the incident or to restore the service using a workaround (e.g. use a "guest" login temporarily); there is no reason a provider cannot make such a commitment even if it is qualified ("95% within 2 business days") or segmented ("within 24 hours for Outlook 365 incidents"). The key is for your real need to be understood and addressed (with the acceptance that this may incur additional charges).



- **Fulfilment times for each type of service requests** – the time between the user making the request and the request being carried out to completion (e.g. “1 hour for a password reset” and “3 business days for a new employee being fully provisioned”).

***TIP** – Align your internal processes with service request fulfilment commitments.*

### **Problems**

*ITIL* defines a problem as a "cause of one or more incidents" and your xSP should be identifying and solving these and reporting this to you, preferably with data on "incidents prevented/avoided" by their problem-solving.

***TIP** – Complete and correct data on an incidents and service requests allows sound analysis and continuous improvement, so provide staff with a formal procedure for logging an incident.*

### **Service Guarantees**

Service guarantees are common in the consumer world (“100% satisfaction guaranteed; if not - your money back!”) but not as common in business-to-business relationships. It’s obvious why a provider would not be keen on providing such guarantees, but there are benefits for both parties:

- Focus by the provider on the service aspects that are critical to the customer
- “Hard” measurement of the quality of the critical service provided
- Balancing of the level of investment by the customer with the impact of service disruption.

***TIP** – Negotiating service guarantees can be time consuming and intense and not to be pursued in all cases, but for critical services they are worth considering.*

In practice, service guarantees are claimed as service charge credits to the customer rather than as refunds.

### **Service Delivery**

#### **Internal technical service staff**

Some of you will employ internal IT staff to supplement and assist your service provider. This role will usually encompass:

- Liaison with your service providers’ technical staff
- On-site assistance to your operational staff with IT-related matters
- Testing of new, upgraded or modified services and/or equipment
- Implementing local “workarounds” while your service provider pursues incident resolution
- Conduct of IT-related projects that are outside the scope or capability of your service provider

In medium size organisations, such staff can be very useful for maintaining required service availability and minimising any disruptions. Smaller organisations will generally not be able to or wish to incur such costs, as a team (2 or 3 staff) is necessary to ensure continuous support.

**TIP** – *Working with your service provider, apply continuous improvement methods to reduce on-site needs to the absolute minimum.*

Your internal technical staff should be trained in all the technologies, services and procedures relevant to the service (both your and your provider's). Their skill levels should be maintained as the service evolves and technology changes.

**TIP** – *Agree with your service provider that your service staff be included in some of their employee programs such as induction and training.*

They **should** receive all service reports and attend all services reviews, but **should not** be given responsibility for scheduling, conducting and following up on these reviews – that is your responsibility.

### **Service reporting**

Your service provider should regularly report to you on the services provided, and the items reported must be consistent with those for which service commitments were made in the SLA.

The purpose of service reporting is to ensure consistent understanding between customer and provider of the extent, timeliness and quality of service delivery.

#### **Reporting should:**

- Be regular and frequent (monthly is a good interval)
- Be service-oriented not equipment-oriented
- Clearly show performance over time against commitment (preferably graphically with tabular data in support)
- Highlight variance from commitments and the status of any action taken to address the variance (or explanation of why no action has been taken)
- Comment on any trends that indicate action may need to be taken (e.g. “free disk storage will be below 10% in 3 months”) with options and recommendations
- Notify of any events requiring action e.g. pending software license expiry
- Set out additions/reductions to agreed monthly charges e.g. service guarantees.

#### **Reporting should not:**

- Simply show only this month's performance or only this month and the last month/same month last year



- Reproduce system reports e.g. malware scans.

**TIP** – Request that standard reporting (frequency, structure, format and content) be included in the RFP response and agreed during contractual negotiations.

### **Service reviews**

The service provider should regularly conduct reviews with you of the services provided, and the review items must be consistent with those for which service commitments were made in the SLA and MSA.

The purpose of service reviews is to ensure that the services provided to you continue to meet your needs and that the provider is receiving sufficient recompense to ensure that they are able to continue to meet your needs.

**TIP** – Request that standard reviews (frequency, structure, format and content) be included in the RFP response and agreed during contractual negotiations.

#### **Reviews should cover:**

- Any agreed actions from the last review
- The most recent service report (or a special report for the review covering the period since the last review)
- Actions arising from the service report
- Notification by you of changes in demand (e.g. anticipated new employees)
- Notification by the provider of changes to the service and any related charges
- Continuous improvement activities – new, active, completed
- Advice by the provider of any future events that will materially affect the services provided, the cost of those services or required capital expenditure (e.g. replacement of obsolete equipment)

**TIP** – Upon contract signing, use your desktop calendar software to invite all attendees to the next 4 to 6 meetings and add a new one as part of each post-meeting activity.

#### **Reviews should be:**

- Scheduled well in advance
- Attended by appropriate customer and provider representatives
- Formally conducted and with minutes taken.

Minutes/actions should be distributed very soon after the meeting.

## Service Improvement

Structured and formal service improvement is necessary for the services provided to continue to meet your business needs, making you a satisfied, loyal and referenceable customer for your provider.

### You should:

- Commit to making yourself and your staff available to participate in service reviews and service improvement activities
- Involve your provider in your existing continuous improvement activities (where relevant), and request your provider to involve you in their existing continuous improvement activities
- Review all relevant continuous improvement activities in the service review meetings
- Apply proven continuous improvement tools and techniques to ensure effective and permanent improvement at optimum cost

***TIP** – Unless you and your staff are already familiar with Lean or Six Sigma stay away from them – they are too complex and time consuming – just learn and apply some simple improvement tools and techniques such as the [Seven Basic Tools of Quality](#).*

## Service Governance

Key to continuing alignment of services and needs are formal governance mechanisms between a customer and its provider.

There are three key levels of governance:

1. **Strategic** – this would normally involve your CEO/Owner and similar from the service provider, depending on its size. As its name indicates, these interactions are concerned with strategic change and improvement and be less frequent than service reviews (see above)
2. **Tactical** – these are the service reviews discussed above
3. **Operational** – day to day interaction between customer and the provider; most commonly this is at the user and/or technical staff level, and with service centre staff and other support staff from the service provider.

***TIP** – Upon contract signing, establish a formal service relationship management structure with your service provider.*

Issues are hopefully resolved at each level although some may escalate from operational to tactical to strategic as required.

## Service Assurance

Making sure that your IT capability continues to meet your business needs is not solely the job of your service provider. As set out above, you should:

- Be clear and open about your business needs when engaging and working with a xSP

- Read the service reports to be aware of action you must take
- Participate in service reviews and service improvement

But there are other important things you must do to maintain your internal capability:

- Train your users
- Document your procedures
- Test your business continuity and disaster recovery plan

### **Train your users**

The money you spend on your IT services will only be fully and effectively utilised if your users are competent in the use of the hardware / software / netware / dataware products you have chosen.

#### **You should:**

- Regularly bring in experts to provide refresher training and to identify and eradicate any bad habits that may have developed.
- Consider paying staff extra to compensate for any of their own time spent on building their competence; send them on advanced training course at your expense and during work hours (and backfill their roles); and, do the same for attendance at user conferences and the like.

***TIP** - Seek keen members of staff to be "super users" of key application software.*

**You should not** use existing staff to train new employees; they need to have formal training to ensure they do not pick up bad habits.

### **Document your processes**

All standard processes within your business should be documented – as procedures and/or work instructions - as a means of maintaining knowledge and improving

***TIP** - Use a "one-page-work-instruction" format to support more detailed procedures and to improve procedure usability and maintainability.*

performance (consistency, completeness and correctness) - allowing work to be conducted efficiently and effectively, thus saving you money and making **your** customers happy and loyal.

Similarly, the processes through which you engage with your service provider should be documented and kept complete, current and correct. Not only will they provide a sound basis for continuous improvement, but they will help you help your xSP serve you more efficiently and effectively.

***TIP** - Assign responsibility ("ownership") for maintaining procedures to your work teams (who can also operate as "quality circles" supporting continuous service improvement).*

## Test business continuity and disaster recovery

It's important that the service offerings of your chosen provider give you the capability to deal with – to the level required

***TIP** – Drills and tests can be spread throughout the year but you should cover all aspects at least once every year.*

- disasters and disruptions to your business operations. Your procedures and work instructions should also cover this need as should your user training.

Activation of your business continuity plan (BCP) and disaster recovery (DR) activity with your service provider is unlikely, but when they are needed, they must work! For

***TIP** – Link your BCP/DR testing with other related tests, e.g. fire drills, to make the scenarios more realistic.*

you to be assured they will work when needed requires you and your team to undertake testing and practice using the BCP/DR procedures.

## Seek proof of cybersecurity

Cybersecurity is a critical aspect of assuring service availability. However, I've not seen an xSP who provides proof of their level of cybersecurity, such as through reporting the results of penetration tests (and few customers request it). You should

***TIP** – Include cybersecurity testing in your annual BCP/DR exercises.*

employ some form of cybersecurity testing by an independent 3<sup>rd</sup> party provider – not your xSP. However, your xSP may be able to arrange such testing as a service to you.

## You already have an xSP and you're not happy

Some readers of this article will already have an xSP (or more than one) and may not be completely happy with their service.

In this situation your options are:

1. Do nothing
2. Wait until it's time to renew the MSA.
3. Initiate the replacement of the incumbent with a new provider
4. Work with the service provider to improve their service.

I recommend working with your xSP collaboratively on activity that will lead to better outcomes for both organisations.

***TIP** – Use the matters set out above as a form of checklist on the health of the relationship and as the basis for an improvement-focused discussion.*

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