Abstract: With the increasingly diverse student population at universities, their varied ways of participating in higher education, rapidly changing processes - technology-based and other - for delivering academic programs and support/administrative services, and the multiple challenges faced by faculties, university central support services must be increasingly responsive to faculty needs and accountable for the quality of the services they deliver. Service Level Agreements (SLAs) are becoming an increasingly popular way to manage and improve the delivery of internal services, in universities and other institutions. Monash has chosen to develop SLAs between central support services and faculties, giving the Centre for Higher Education Quality the responsibility for introducing and developing processes to manage them, and for integrating them with the Monash quality framework. When the project is fully implemented, faculties will have an increased decision making ability regarding the central services and service levels they wish to purchase. Support services will need to agree those services and service levels with each faculty and then work to deliver them as promised. Support services and faculties will work collaboratively to deliver services to the end users, principally staff and students. These goals need to be pursued in a way that is consistent with Monash values and principles, and that will contribute to the quality assurance and improvement processes of the university. This paper outlines the experience so far in introducing Service Level Agreements to Monash University, and indicates their role in supporting the quality framework of the university.

Keywords: Service Level Agreements, customer service

Introduction

While quality in higher education necessarily focuses primarily on the core business of universities - teaching and learning, assessment and research - to a great extent quality in these areas depends on the quality of the services delivered, and infrastructure provided, to faculties. More than ever, issues such as access to electronic delivery services, prompt and accurate processing of administrative and human services, appropriate infrastructure development, good communication and information systems, can influence the quality of the
university experience for both staff and students. With changes such as the increasing diversity within the student population, multiple methods of accessing higher education, and rapidly changing learning technologies, quality and accountability of support services become even more important.

**Service Level Agreements** (SLAs) are becoming an increasingly popular way for organisations, including universities, to manage and improve customer service planning and service delivery for internal services. In the higher education sector, typified by significant overheads for centrally provided support services and relatively little autonomy for faculties in managing their revenues and costs, various forms of service level agreements have been developed. In many cases, these SLAs have been introduced only for selected services, are not fully negotiable, or are not charged directly to the 'consumer'.

Monash University has embarked on a major project to develop a strategic cost management framework (SCM) under which service level agreements will be the principal architecture for the provision and charging of all central services to faculties. Beginning in 2003, under the SCM framework, faculties will receive the full amount of the revenue they generate. Out of this revenue, for the first time, they will pay for support services based on the actual amount they consume. In preparation for this initiative, service level agreements are being developed so that both faculties and their central service providers have a clear and mutual understanding of the services, service levels and quality that will be delivered, and the charges for those services.

This development has significant implications for both faculties and their service providers, some of which are the:

- need for central support services to develop a sustainable customer focus in the planning, delivery, management and measurement of their services to faculties,
- corresponding need for faculties to ensure their stated needs and expectations are aligned with those of their own customers - principally faculty staff and students,
- increased power of faculties in managing their revenues and costs requiring corresponding accountability for responsible planning and management of resources,
- need for effective partnerships between faculties and support services to deliver quality service to end user customers, to work continuously on improving those services, and to negotiate workable service level agreements.

The SLA project at Monash is in its early stages, with a pilot process for developing service statements for three services successfully completed, and a full rollout of service statement development for nine major divisions now under way. This paper discusses the approach taken to assist central support services to construct their service level agreements and in doing so, to develop a sustainable customer focus in the planning, delivery, management and measurement of their services. It also explores briefly the integration of SLAs with the Monash approach to quality.

**Background**

**What are Service Level Agreements?**

There is a range of interpretations of the term 'service level agreement', indicating the diversity of models in use. Hiles (1993, p1) defines a service level agreement as “an agreement between the service provider and its customers quantifying the minimum acceptable service to the customer” while the HM Treasury Unit (1994) use the definition of “a negotiated agreement… which quantifies the minimum level of service and sets out costs and criteria for delivery”. With a focus on compulsory competitive tendering, Boyd and Proctor (1995, p 3) simply define an SLA as “an agreement between internal service areas,
usually support service units and business units”. Although these definitions vary in their orientation, they point towards some common attributes of service level agreements. These attributes include communication, agreement, negotiation and the quantifying of outcomes. These attributes, which are not mutually exclusive and thus not discussed separately below, provide an insight into the “process” behind SLAs as well as some of the benefits they offer.

The fundamental attribute (explicit in the term), is “agreement”. This suggests that, in order to arrive at the point of agreement, a process of negotiation has occurred between the provider and customer. Referred to by Hiles (1993, p2) as “a joint exploration”, the communication and consensus that is involved in negotiation facilitates “a growing understanding of the needs and constraints on each side” (Hiles, 1994, p 14). Once agreement has been reached the two parties may formalise this in a document, which can range from a high-level one page outline through to a comprehensive and detailed document, depending on its intended purpose and audience. The process of negotiation, agreement and formalising the agreement has the benefit of “educating” both parties in the needs, priorities and constraints of the other, resulting in more informed and intelligent suppliers and purchasers. As stated by Karten (1998, p 1.6) “the very process of establishing an SLA helps to strengthen communications, so that the two parties come to better understand each others’ needs and concerns”.

Another common characteristic of SLAs is the quantifying of minimum service levels, thus defining the service outcomes the customer will receive. Quantifying service levels involves examining the customer's requirements to establish the benefits and cost justification of various service levels (Hiles, 1993, p3). The agreed level will “provide a mutually agreed basis for assessing…service effectiveness” (Karten, 1998, p 1.6), “place assessment on an objective basis” (Hiles, 1993, p2) and “assist in managing customer expectations and perceptions” (Hathaway, 1995, p 131). However widely the application of service level agreements might vary from one organisation to another, they generally share the attributes described above - that is, they are negotiated, agreed and documented.

How did they originate?
Little research has been documented on the business needs and requirements that initially prompted the development of service level agreements. According to Leon (2001, p56), negotiating SLAs has been an operating procedure since the 1960s when they were used as a method for buying minutes of computer machine time. There was then significant growth in the use of SLAs, particularly in the management of large internal suppliers (such as IT) within private and educational organisations. In the 1980s SLAs began to be used in the UK government as a method for managing outsourced services as well as internal service provision. Industries, too, began to use them as a method of ensuring that services provided (either internal or external) were aligned to business needs. This possibly evolved as a reaction to a situation, now considered to be unsatisfactory in contemporary business practice, where traditionally the provider stated what was available and the customer was encouraged to accept it (Pantry and Griffiths, 1997). Although still predominately utilised within the IT industry and in outsourcing, service level agreements are increasingly being used by both the public and private sectors and across numerous industries (such as health, education and human resources) as a method of managing the cost and quality of the service provided.

How do they apply in the University environment?
The use of service level agreements within organisations is becoming increasingly popular in organisations where a significant part of the total cost is spent on central support services (Pendelbury & Algaber 1997). As stated by Hiles (1993, p.1) “in-house services are increasingly expected to be self-sufficient…recovering costs from customers rather than being provided as part of the overhead costs”. Worldwide a number of universities have already
begun developing service level agreements for support services, such as the University of Sheffield, the University of Cape Town and the University of Wollongong.

Major outcomes sought by these universities include: ensuring that support services provide the best levels of support possible for the key activities of research and teaching; enhancing the understanding between provider and user departments; (Barnes, 2001, p 38); and, in particular, improving relationships between internal providers and users. As explained by Barnes (2001, p 38), “the professional relationship between academics and administrators has often been typified by an ‘us and them’ attitude. In a context where work is changing rapidly…it is important that the nature of working relationship moves towards one of greater understanding and mutual respect”. The introduction of service level agreements to the University of Sheffield was one method to assist in achieving that goal.

Similarly, the University of Cape Town believes that for services to be of the appropriate quality and efficiency there needs to be consensus between the supplier and customer about what services and quality levels are required. Debates on these aspects of service provision had not occurred routinely, and “lack of communication led to acrimony between support departments and internal customers... The cycle underpinned a prevalent sense of "us" and "them" and weakened alignment between support services and the core business of the institution.” (http://www.uct.ac.za/depts/aims2/SLA.htm, accessed 03.04.02).

Clearly, whilst there are a number of tangible business-related outcomes that are sought, a key objective of the introduction of service level agreements within the above universities is the strengthening of relationships between the customer and supplier.

SLAs at Monash

Monash University is less than forty years old but is already the largest and most diverse university in Australia. It has eight campuses, two of which are overseas - Malaysia and South Africa - and ten faculties, delivering programs to approximately 45,000 students from over 100 countries. Because of the size and diversity of the university, Support Services areas have significant challenges in terms of both the scope of the services required and the multiple service demands they must meet, while at the same time exercising budget restraint. Service Level Agreements were seen as an appropriate direction for Monash, as they provide as a means of ensuring agreed minimum standards of services, while allowing for diversified value-added services depending on individual faculty or campus needs. In early 2001, Monash completed an Activity Based Costing exercise, which was to be the first step in developing a Strategic Cost Management framework. With Activity Based Costing, Support Services activities were identified and costed using an agreed 'cost driver'. This then allowed the new financial management process to be developed, where the existing focus on revenue distribution was to be replaced by a focus on managing the identified costs. The Strategic Cost Management process was developed for many reasons, chief amongst which was the ability to better manage internal services in terms of value delivered and quality of service. Service Level Agreements were to be introduced as the operational method for achieving this objective.

At Monash, service level agreements are defined as 'an agreement between the service provider and the customer specifying the services and minimum service levels to be provided, the applicable service charges, and details of both the service provider and customer responsibilities'. 'Customers' are defined in this context as 'the recipient consuming and paying for support services', that is, the faculties. It is acknowledged that there are 'end user customers' - students and staff - who are the ultimate recipients or beneficiaries of the services, on whose behalf the services are agreed and provided. While this group will not be
included in SLA negotiations, much work will need to be done to identify and better understand their needs and expectations.

The existing accounting framework at the university is like most, where all income except tied grants is distributed to faculties, after deduction of a 'central levy' to cover corporate support and overhead costs. The new financial management process (strategic cost management) changes the way faculties receive their income, pay for support services and the means by which support service departments are funded. In the new model, faculties will exist as independent financial entities that are responsible for setting and achieving agreed targets. They will receive 100% of their total revenue, and will pay for direct costs, including the cost of all infrastructure and support services. Service level agreements will be the means by which the provision of the central infrastructure and services are negotiated. A key benefit of this process is intended to be the creation of a more customer-oriented environment which will drive a focus on the services and outcomes delivered by the central support services, as opposed to the focus on resources and inputs currently in place.

Other benefits are intended to be:
- increased service delivery efficiencies;
- improved resource utilisation;
- clear performance expectations of both the customer and service provider;
- greater clarity regarding roles, responsibilities and priorities;
- continuous improvement of service quality;
- ultimately, better service provision to the Monash community, principally students and staff.

The process thus far

The pilot stage of the SLA project (completed in January 2002) tested out the approach and resource materials that would provide the 'best fit' for Monash University. The first step in what, when fully implemented, would be a 2-3 year process, was a series of workshops to facilitate the development of service statements by three 'services' as agreed through the Activity Based Costing model - Examinations (delivered by Student and Staff Services Division), Messaging and Scheduling (Information Technology Services), and Grounds (Facilities and Services).

The service statements would be descriptions of key services that faculties received, with service delivery information and agreed key performance indicators. Initially this service statement would describe the service level to be provided to all faculties, and until the new strategic cost management structure was operational, there would be no direct charging for the services. However over time, faculties would negotiate with support services both the services they required and the service levels they needed, and would be charged for the agreed services. The service statement was evaluated by faculty representatives on such aspects as clarity of description, desirability of the features highlighted in the service statement, appropriateness of the performance indicators, and any missing aspects. A joint meeting was then held between each support service and selected faculty representatives to agree the final service statement and the means by which the delivery of that service would be measured. The service statement was then refined to achieve an outcome that would be both attractive to faculties and achievable by the support service. Each service statement would serve as a model for other divisions and would be 'road tested' by the support services division and their faculty customers. On completion of the pilot, an evaluation was undertaken, with feedback from both support services and faculties. The most favourable comments related to:
- the workshops to develop service statements, which allowed a rare opportunity for
Support Service divisions to work with other divisions, share experiences and obtain feedback on their work;
• internal discussions within service groups, which forced people to define what services they offered and to define them in customer-friendly terms;
• the focus on customer service, using service models to identify their customers' needs and expectations, redesign their services and select appropriate service indicators;
• the opportunity to work with faculties and discuss, not only the service statement, but issues and problems that both sides experienced.

The key problems identified related to:
• the challenge of defining the service and expressing it in a way that made sense to the customer as well as to the service provider;
• difficulty reaching the appropriate level of detail in the service statement - too much detail made the statement complex and impenetrable; too little left the service ill-defined and ambiguous;
• the challenge in reaching a service level that would be attractive to all faculties, given the widely varying faculty situations and needs.

Next steps
The next major steps for the service level agreement project is the development of service statements for all support services; using these statements as the basis for negotiating differentiated service level agreements with faculties; and then managing the agreements for ongoing sustainability and effectiveness. Brief descriptions of these stages follow.

Developing service statements for all support services.
Using the findings from the pilot project, processes and templates will be refined for use by all central support services. These areas will now develop, over 2002 and 2003, a service statement for each service that they provide directly to the faculties (and staff and students). As in the pilot, these statements will incorporate faculty feedback to ensure that they reflect the faculties' needs and priorities.

Negotiation of agreements.
Once statements are developed for all services (outlining the “standard” service level faculties will receive), they will be used as the basis for negotiating differentiated service levels with each faculty. This will involve the customer determining what service levels they require to, in turn, meet the needs of their own customers. With each cycle of SLA negotiation and review, greater awareness will develop regarding both customer expectations and provider capabilities.

Management of agreements.
Once developed, service level agreements will require ongoing management to ensure effectiveness and sustainability. This will incorporate all sections of the Monash quality cycle (Monash, 2000), that is, plan, act, evaluate and improve.

Discussion
How will SLAs be managed within the Monash approach to quality? While the approach of the SLA project is consistent with the Monash quality values and principles, it is clear, too, that a number of issues will emerge that will challenge the university's commitment to quality. One issue that may emerge over time is the way faculties determine their service needs when charges are attached. How will they achieve a balance between their need to receive quality services and their desire to minimise costs? By building in a focus on demonstrable quality
service at the outset, it is hoped that a pervasive culture of service quality for all stakeholders will grow. An issue that has already emerged relates to the accountability for service in the value chain of integrated service delivery. How can a Support Service ensure consistency and reliability of service when a key input in their service delivery chain - in many cases, information technology - is outside their control? The issue of shared responsibility for certain aspects of the service within an environment of clear accountability for the overall quality of service delivery is one that will need a cooperative approach by all parties.

Clearly many other challenges will need to be faced in the development of fully negotiated service level agreements, but the general view already is that the positive aspects of the process will outweigh the possible negatives. One means of establishing the extent to which real benefits have been achieved for faculties and their 'customers', both internal and external, will be found in developing the ability to track tangible benefits - such as increased response time, improved effectiveness, greater accuracy - that the process generates. While the less tangible benefits such as improved relationships, better understanding and greater clarity regarding deliverables are no doubt very important, it is the improved ability of faculties to deliver value to their customers because of this process that will be the final test of quality for Monash.

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