

INTERNAL SLA

How can the purchasing department set
up a SLA

Internal Service Level Agreement



 **The importance of SLAs as a competitive differential for companies**

Enables internal funds to obtain savings while improving the standard for services provided.



The importance of SLAs in operational process management

Enables operational process management to be done in a partnership between the contracting area and the service receiver/user.



Role of SLAs in organizational adaptability and training.

When administrated well, improves the quality of relationship between the purchasing area and users of the service provided, consequently improving the quality of contracted suppliers.



↳ How to set up a SLA between the purchasing area and other areas.

Procedures for purchasing and requesting services/purchases must be well specified, clearly defining the role of each area regarding contracting suppliers for services/purchases.



↪ How the client area should specify their real needs – what does the client actually want?

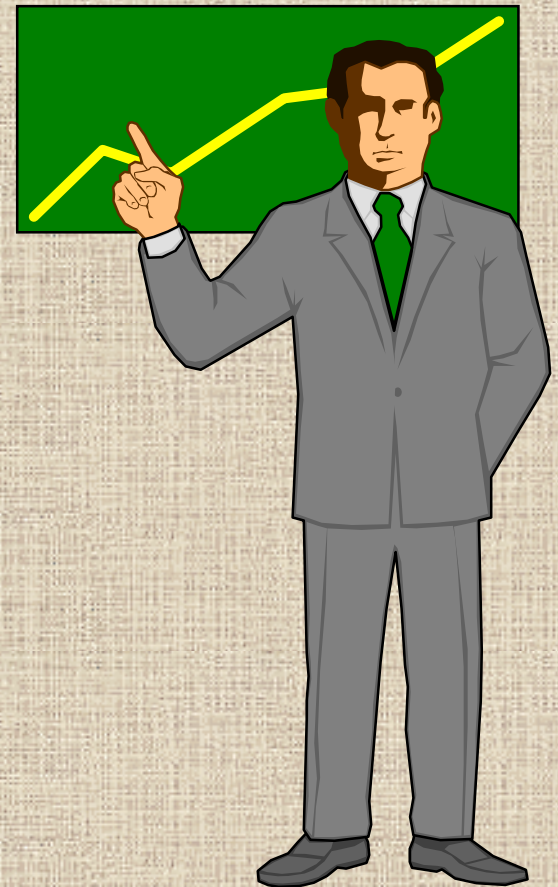
- ✓ The client area must prepare a well-defined descriptive memorandum of their needs.



↪ How can the service provider evaluate their capability in providing service.

- ✓ Through feedback from the service receiver (users) and the purchasing area.

How to implement and manage internal SLAs.



↳ This work involves the entire organization, from specifying appropriate purchasing procedures to the willingness of the purchasing area to discuss with the user their needs, probable suppliers, and, if that were the case, choosing the best business offer, taking into account not only the amounts involved but also the cost or any cost reduction of the entire process.

Results for the areas and the entire corporation

- ✓ Greater trust in the purchasing process
- ✓ Improved understanding between the user and purchasing area
- ✓ Greater trust for the service provider
- ✓ Savings in the entire process

A CASE STUDY

→ Situation Found

- 1 – System for bagging and shipping products carried out by their own employees.**
- 2 – Truck loading carried out by independent stevedores that are not under the company's control.**
- 3 – Using over 60 different carriers to transport their products (dry cargo).**

♦ Changes Made by Implementing SLAs:

***To solve existing problems regarding:**

- **high cost of the bagging system**
- **constant damages caused to products**
- **truck loading delays**
- **insecurity and lack of control of independent stevedores**
- **using a large number of carriers**
- **lack of operational efficiency in volumes transported**
- **high shipping cost for the company.**

The Purchasing area was responsible for putting together all areas involved in the operation: Plant Management, Security, Marketing/Sales and Human Resources. This team worked out the changes needed, which are:

- **Outsourcing the shipping system.**
- **The contractor became liable for damaging any products and had to submit plans for reducing damages.**
- **Outsourcing stevedore operations, eliminating security risks and reducing truck loading time.**
- **Implementing a pool of carriers, from 60 to only 3 carriers, improving transport quality, transparency, streamlined process, for the Plant and customers.**
- **Annual savings of US\$3,000,000**

THANK YOU !

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