Vested For Success Case Study

A Journey of Vested Outsourcing
The story how Diversey and Wipro are 
(R)Evolutionizing IT Outsourcing

A Report Authored By: Kate Vitasek and Astrid Uka
The Journey Begins

In 2006, Diversey, a global leader for commercial cleaning, sanitation and hygiene, signed a five-year outsourcing agreement with Wipro, a global IT service provider, worth upwards of $100 million. CIO Matt Peterson’s number one goal was cost reduction – and it was a long way down the list to get to number two.

The original agreement focused on Diversey’s aggressive organizational and financial targets. The plan included reducing IT costs by outsourcing non-core services, centralizing the IT organization and consolidating data centers. The vision was that Diversey and Wipro would create a centralized IT organization resourced by both companies. Diversey continued to own all the assets and Wipro was accountable for managing the assets and guaranteeing agreed-upon service levels.

The Diversey IT team realized the only way to achieve cost savings targets on time would be a classic “lift and shift” approach. The Diversey/Wipro plan paid off. Wipro ramped up 170 locations supporting 800 IT systems in 12 months.

By year two, Wipro had delivered the targeted financial and organizational goals. Peterson proudly asserted Wipro had facilitated his team to move beyond efficient order takers to become actual strategic business enablers in the company’s growth and development. Most importantly, the companies developed what many outsourcing relationships strive for – trust and respect.

The Second Generation: Transformation

With success under their belt, both parties agreed they were ready to embark on the next leg of the journey and spend more time with Diversey managers on strategic new projects. The companies turned to end customers and business groups for guidance. Throughout 2009, interviews and surveys were conducted with key stakeholders and users to get both subjective and objective feedback.

Knowing the partnership held potential to achieve more, new goals were defined:

- Improve quality and business value of IT services
- Achieve more balance in the IT spend portfolio between infrastructure and value-added services
- Reposition IT to support business optimization and growth

To accomplish these goals, Diversey and Wipro agreed to “reinvent” their outsourcing business model. The existing agreement and its favorable terms remained the foundation. However, important new attributes were added:

- Align Diversey’s IT outsourcing strategy with Diversey’s strategic growth plan
- Shift the IT spend from “keeping the lights on” to business drivers that included enhancements
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- Convert from a variable pricing model to true consumption-based pricing model

In January 2010, the companies signed an early renewal of their agreement, extending the contract to December 2014. The scope expanded to include the new objectives – including fully integrating Service Desk and Deskside support services and adding a Depot Solution.

With both parties filled with passion and energized to drive their relationship to the next level, a two-phased plan was employed. The first phase was transformation to a new contract delivery model. Once standardization was achieved, the parties would focus on what they coined “third generation” outsourcing to create a customer pay-as-you-go model based on business value. As part of the agreement, Diversey and Wipro committed to dynamic service levels that adjust over the contract term for optimum result.

The Third Generation: Good, On the Way to Great

There was a big idea underpinning the desired transformation. Diversey/Wipro wanted to change the focus of IT services from a line item overhead expense to consideration as a business enabler. If customers could “pay-as-you-go” for the services they wanted, when they wanted, at service levels they wanted and valued, IT would add value to the business.

As Diversey and Wipro embarked on the third leg of their outsourcing journey, they wanted to be certain they were incorporating best practices. They turned to the University of Tennessee to perform an in-depth diagnostic Deal Review to determine the improvement opportunities into how well the deal was structured and managed. The Deal Review scores an existing relationship against five key rules and ten elements for a successful Vested agreement.

The collaborative, trusting relationship between Diversey and Wipro was paying off. The Deal Review revealed both companies were well on their way to creating a Vested Outsourcing relationship. The overall diagnosis received an overall deal effectiveness score of 3.7 out of 5 – with 3 being “good” and 5 being “great” with both parties operating in harmony and delivering transformational results and value beyond what either party could deliver themselves.

A diligent analysis was undertaken to prove the following:

- Whether a flexible framework exists that will allow the parties to successfully navigate a dynamic business environment
- Whether there is a focus on business outcomes and results and not simply on performing service transactions
- Whether a strong governance structure offering insight exists that focuses on managing the business and not just the supplier
- Whether the parties have established high degrees of trust that can enable them to feel confident to innovate and solve wicked problems
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It became obvious the relationship had a solid foundation and was ready for a Vested relationship. There was strong commitment to make the agreement work – no matter what obstacles came forward. A Trust Survey (written by Dr. Stan Fawcett) scored a 3.9, a relatively high degree of trust. Findings included a positive and open environment, consistently meeting commitments, maintaining trust, and strong personal relationships. Diversey and Wipro were relieved to find that most of the usual outsourcing ailments had been avoided.

But it was not the accolades the parties were after – it was the spotlight on how to get better and shift from good to great. The comprehensive University of Tennessee Deal Review uncovered a few weaknesses and vulnerabilities.

- While there were strong general themes across the organizations, there was not a unified vision. Without a shared vision, it is difficult to have clearly defined desired outcomes, a necessary component to transformation.
- Desired Outcomes were informally documented. The agreement focused on the “now” versus the “next.”
- The pricing model had gaps around the supplier having “skin in the game” which are incentives, gain share, and risk allocation. The contract focused solely on SLA penalties. Poorly structured SLAs have counter-productive incentives causing service providers to hunker down to ensure success against the SLAs rather than the desired outcomes.
- There was a mismatch of perception regarding “Perform to Promise.” This posed no immediate problem, but needed to be addressed in order to avoid deterioration in the relationship.

The Next Generation: The Journey to Vested

As part of the Deal Review process, Certified Deal Architects facilitate a workshop designed to help companies address opportunities. Kiran Vedak, Chief Technology Officer at Diversey, summed up the group sentiment, “We are not surprised by the findings. The Deal Review process helped us see the shortcomings clearly in front of us and get a sense of urgency to address them.”

First on the list was creating a formalized shared vision. The UT team facilitated the leadership team to achieve the following definition: **Dynamically innovate and collaborate to provide information technology services that transform our industry. Together we deliver measurable benefits and mutual competitive advantage for our ecosystem of people, partners, and customers.**

“Our shared vision is straightforward, yet powerful,” Wipro’s Werner Graf, U S General Manager of Consumer Products, explained. “Simply creating the shared vision and Desired Outcomes with the UT team gave us a great deal of energy as a team. We were particularly impressed with the entire Requirements Roadmap process and tool.”

Diversey’s Kiran Vedak echoed the importance of the Requirements Roadmap. “Coming out of that workshop everyone on the entire team was much clearer about where we’re headed. It’s kind
of like what Yogi Berra says, ‘if you don’t know where you are going, you might not get there;’ we now have a clearly defined and measurable Desired Outcomes that have become our beacon.”

A final, critical workshop effort centered on an in-depth critique of the Diversey/Wipro pricing model. UT faculty shared innovative pricing model approaches and techniques. Sarah Alt, Senior Director Global IT Operations, spoke about the value of this exercise: “We learned the power of using an incentive-based compensation structure when working with a service provider. It was simply fascinating to learn pricing model techniques from some of the world’s most successful deals. The session on pricing models was invaluable and will be very useful as we embark on our third generation outsourcing efforts with Wipro.”

**Vesting for Success / IT as a Value-Add**

Together, Diversey and Wipro have come a long way since their initial outsourcing agreement was signed in 2005. In less than five short years, Diversey’s IT has gone from old school and expensive to nimble, cost effective and greener. In September 2010, Information Week listed Diversey as one of the top U.S. manufacturers that lead innovative deployment of information technology. Overall, Diversey was among the top 200 companies recognized for technology innovation in the world.

“Diversey’s recognition in the Information Week rankings is a significant achievement and reinforces our commitment to find new and innovative ways to make our business more efficient and deliver added value to our customers,” said Norm Clubb, Diversey Executive Vice President and CFO. “Our pioneering work in cloud-based computing is improving collaboration among our 10,500 employees while also demonstrating the ways IT can reduce the environmental impact of our operations.”

The UT Deal Review also highlighted something crucial to continued success – the importance of a flexible framework. Sealed Air is currently acquiring Diversey and, although Sealed Air uses Wipro as their service provider, Brent Hoag, CIO, expresses the obvious, “You never know what the future will bring. We set out to structure our agreement as flexible and it has stood the test of time, allowing both parties to effectively respond to changes in the business.”

The commitment to (r)evolutionize IT outsourcing industry continues to innovate and create award-winning value. In November 2011, The National Outsourcing Association recognized Diversey/Wipro as the “IT Outsourcing Project of the Year.”

Werner Graf summed up the advantage of the Vested approach of a flexible framework and trusting business relationship. “As Diversey enters into a period of known unknowns, I can’t think of two better components to have...At the end of the day, this team will be able to accomplish whatever the business demands.”
Acknowledgments

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We also thank the entire Diversey and Wipro core team members who shared their stories and made the case possible. Their success is apparent and the results speak for themselves.

The complete case study is featured in our Executive Education classes and will be featured in the upcoming book *Vested: How P&G, McDonald’s and Microsoft Are Redefining Winning in Business Relationships*, which will be available in September 2012.

For More Information

Visit the University of Tennessee’s website dedicated to Vested Outsourcing at www.vestedoutsourcing.com where you can download white papers, watch videos, read articles and subscribe to our Vested Outsourcing blog or register for one of Vested Outsourcing classes.

We encourage you to read our other books:

The Vested Way: Why a What’s in it for WE approach is THE Framework 21st Century Business Relationships are Built on (Palgrave Macmillan, 2012)


You can contact Kate at

Kate Vitasek – kvitasek@utk.edu

About The Authors

**Kate Vitasek** is an internationally recognized innovator in the practice of supply chain management and outsourcing. Named as one of World Trade Magazine’s “Fab 50” people influencing global trade, Vitasek’s approaches and insights have been widely published in over 300 articles and four books. She is a faculty member at the University of Tennessee’s Center for Executive Education.

**Astrid Uka** is a business consultant. She is a seasoned expert in the practice of Global Business Process Outsourcing and Supply Chain Management. Uka has a considerable track record of delivering results across global corporations with complex matrix organization and involving multiple partners. She is a principle with Supply Chain Visions – a well-respected boutique-consulting firm.