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From Research to Relevance

From Research to Relevance:

Lessons Learned from Implementing Vested Contracts in the Nordics

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INTRODUCTION

In 2003 the University of Tennessee (UT) began a research project funded by the U.S. Air Force to answer what seemed like a simple question: "Is there a better way to outsource?

The answer that came back from that was an overwhelming yes. UT researchers took the lessons learned from their research and codified the Vested sourcing business model in 2010 with the launch of the book *Vested Outsourcing: Five Rules that Will Transform Outsourcing.* A bold title for a book. But has the claim lived up to the promise? Again, the answer is an overwhelming "yes." Ten years later, 57 companies have used the methodology for over 70 strategic business partnerships. Sixteen of those deals are in the Nordics – with one company implementing multiple deals.

Why have the Nordics been a leading force in implementing a Vested business model for strategic relationships? Still some sense the reason lies in the innovative spirit found in the Nordics. Many cite a culture that promotes collaboration over conflict. Other's point to a propensity for Nordics lawyers to prefer shorter and more flexible contracts where parties work out differences peacefully.

Whatever the reason, the success in the Nordics offers an excellent playground for studying the evolution of Vested and how organizations are putting the Vested theory into practice in real deals. With this in mind, UT researchers set out once again to study Vested. But this time with a specific goal to examine the lessons learned from the Nordic experience.

This white paper shares the collective learnings garnered from studying how each organization approached implementing Vested relationships.

- **Part 1** provides a ***high-level overview,*** including a ***by the number's summary*** profiling a high-level overview of who and what of the Vested deals in the Nordics
- **Part 2** examines the ***lessons learned*** by looking at examples in practice and provides insight from team members involved
- **Part 3 shares *results***

This white paper – like all of the University of Tennessee's white papers covering our research and learnings on Vested – is open source and fully shareable. We encourage you to share with colleagues, customers and suppliers who can benefit from putting the lessons learned into practice for their Vested relationships.

PART 1 – HIGH-LEVEL OVERVIEW / BY THE NUMBERS

Part 1 summarizes the Vested relationships in the Nordics. In total there are 16 Vested Relationships in the Nordics. Four of these deals are public (Telia and Coor, Vattenfall and ISS, Astra-Zeneca and Caverion, and Telia and Veolia). The Telia-Veolia deal is profiled in a formal case study and can be downloaded at www.vestedway.com.

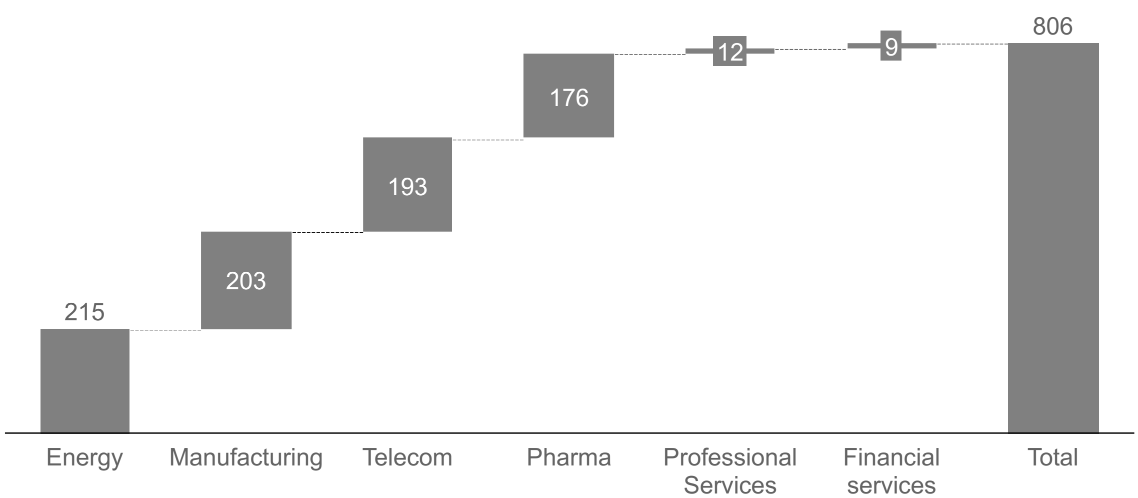
A quick glance at Part 1 shows that Vested is spreading across the Nordics in a variety of ways – spanning five industries and multiple types of services/solutions.

Below are the fast facts by the numbers.

Industries/Contract Value

One of the key learnings from reviewing Vested deals in the Nordics is that Vested is being adopted across a wide range of industries. The Telco industry has the largest number of Vested relationships (seven). However, there are Vested relationships in the Pharma, Manufacturing, Financial Services, Energy and Professional Services sectors. In total eight buy-side companies and eleven suppliers have Vested deals. Five buy-side companies have multiple deals and four suppliers have multiple Vested deals with a combined annual contract value is above 800M USD. Figure 1 maps the annual contract value by industry.

Figure 1: Annual Contract Value (MUSD) by Industry Type



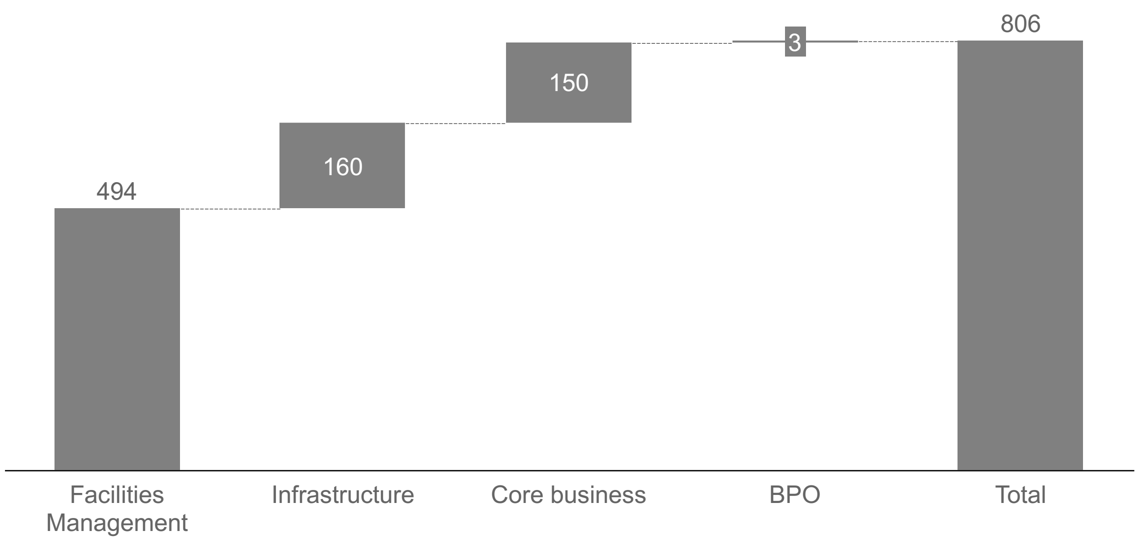
Note: This number is only for known Vested deals and does not include any data for deals where organizations may be self-implementing the Vested methodology with no formal use of the Vested courses or support from a Center of Excellence.

Scope of Services/Solutions

Figure 2 maps the annual contract to the scope of services, showing the majority of Vested deals are for facilities management (hard and soft). Six of the most well-known facilities management suppliers now have Vested deals in the Nordics. Several also have Vested deals with their suppliers.

The remaining scope of work includes outsourced infrastructure, core business, and business process outsourcing.

Figure 2: Annual Contract Value (MUSD) by Scope of Service



Geographic Reach

The first two Vested relationships ever signed in the Nordics were limited in scope to Sweden. Since then the geographic scope has varied and expanded throughout the Nordics and beyond. At the time of publishing this report, five of the 16 deals are reaching outside the Nordics, to an EMEA or a Global level. One of the most complex deals has a scope with close to 100 locations across 20 countries.

Formal Vested Education

The Vested methodology integrates learning and doing. Most deal teams in the Nordics participated in at least one formal Vested course, with nine organizations investing in having team members become Certified Deal Architects. In total, the University of Tennessee has trained 107 individuals as part of the collaboration with EY and Cirio Law Firm where the Vested Outsourcing and Collaborative Contracting courses are offered in Stockholm each year. The 16 Nordics Vested deals have graduated a total of 34 Certified Deal Architects.

Type of Support

All of the known Vested deals in the Nordics have relied on coaching support from a Center of Excellence, with most deals using a combination of consulting and legal support with the joint assistance of EY Consulting Services and Cirio Law Firm.

It is interesting to note that 56% of the Vested deals use a "flip the deal" approach where the focus is to restructure an existing relationship to a Vested relationship. Organizations that do not restructure deals use a Request for Partner process which embeds the Vested methodology into the bidding process. When comparing RFPartner and flip the deal approach, no clear distinction can be made in terms of results reached outside of the implementation timeframe in which is typically shorter when restructuring an existing relationship.

Time to Implement

Most deals spent an average of 6-9 months to implement their Vested agreements.

The time to implement a Vested partnership depends on if you are going through a bid process (Request for Partner) or restructuring an existing relationship (flip the deal). Scope and complexity also play a factor, with large, complex and global deals taking longer. Most teams had lofty goals to rush through the process. But those that rush the timing always found they wound up taking longer because they had to go back to complete missed or incomplete work. This makes sense when you understand the Vested methodology because the Vested Five Rules build on each other.

PART 2 – LESSONS LEARNED AND INSIGHTS

In Part 1 we looked at how the Vested deals in the Nordics differ across various dimensions. In Part 2 we examine the lessons learned.

Top 10 Lessons Learned Summary

Interviews with team members responsible for implementing Vested deals reveal a Top 10 list of do's and don'ts - with six "must-do's" and four "don't do's."

Must Do's

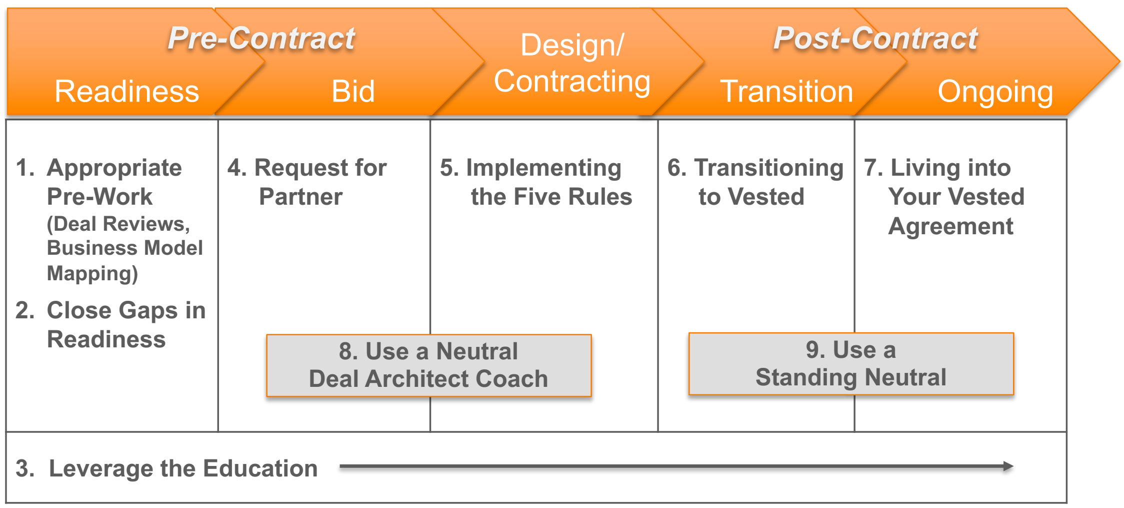
1. ***"Trust the Process"*** is a lesson learned by teams when it comes to architecting the details of a Vested agreement. Simply put, the Vested rules are in a certain order for a reason.
2. "***Transparency is critical"*** Transparency builds trust, and without it getting to a fair and balanced win-win pricing model is difficult if not impossible.
3. ***"Less is more when creating your Desired Outcomes***" Have no more than five Desired Outcomes and 12 metrics. The Nordic deals fall pretty closely within those sweet spots. Desired Outcomes range from a low of three to a high of six. Metrics range from a low of nine to 18
4. ***"Don't underestimate Element 8 – Transformation Management"*** Joint continuous improvement mechanisms - and especially innovation management mechanisms – are almost always brand new between the parties. Spend the time to get this right and invest in a full-time Transformation Manager for each company to be a "two-in-a-box" to drive transformation.
5. ***"Onboarding is essential"*** The deal architect teams going through the workshops often realize that others - those not on the team - have difficulties in understanding the Vested process. Onboarding is essential for the initial transition but also throughout the life of the agreement.
6. ***"Stakeholder management is not a once and done***." It is easy to do a stakeholder analysis at the beginning of a deal. But as you progress through your Vested journey teams often forget that new stakeholders emerge or existing ones are replaced.

Don't Dos

1. ***"Don't start the Vested process if you are not ready."*** Teams that skipped doing a pre-study or readiness almost always got out the gate slow and added time to their journey to get to a formal contract.
2. ***"Don't skimp on education."*** Across the board teams that participated in formal education claimed they had a much easier time putting the theory into practice.
3. ***"Don't skip the formal gate reviews."***
4. ***"Don't let off the gas on governance once things are going well."*** Teams often ended the workshops with an extremely high level of trust and alignment and were tempted to not follow through with governance as designed with the logic that things were going well; why get bogged down with governance meetings if there are no issues? When teams did this, it almost always backfired because the governance meetings are where the parties create alignment on priorities and agree on transformation initiatives.

The rest of Part 2 takes a more in-depth look at specific lessons learned, with insights and lessons "mapped" to a typical Vested journey (Figure 1).

Figure 1: Lessons Learned by Phase of A Vested Journey



Readiness Phase

A key lesson was ***"Don't start the Vested process if you are not ready."*** Teams that skipped doing a pre-study or closing gaps in readiness almost always got out the gate slow and added time to their journey to get to a formal contract.

Erik Linnarsson – Senior Counsel at Cirio Law Firm – has coached seven of the 16 deal architect teams. Linnarsson shares an interesting observation regarding teams that did not do the appropriate readiness work upfront.

> *"When teams jump into Vested without being ready they almost always fail to understand the why. It's one thing for the people championing Vested to get the why, but it is also important that the broader stakeholder and deal architect team members who will do the work (or the steering committee who will approve the deal) also understand the why. When teams skip the pre-work, they get down the path of implementing and then stakeholders start to challenge the process and decisions that are being made because they never really digested why they were making the shift to Vested in the first place. Simply put, the result is that deals teams take two steps forward and one step back because it is hard to change when you don't know the why."*

Let's explore a deeper dive into the Readiness Phase lessons learned. To do this we segment readiness into three topics: 1) complete the appropriate pre-work; 2) close gaps in readiness; and, 3) leverage the formal education. Each is discussed.

1. Appropriate Pre-Work

So just what is "appropriate pre-work?" The answer is "it depends." Specifically, it depends on the starting point of the potential partners' relationship. For example, will you be starting your Vested journey with a Request for Partner? Or will you be restructuring an existing relationship (no-bid flip)?

Let's explore each scenario and the learnings from the deal architect teams.

Restructuring an Existing Relationship (No-bid Flip)
The majority of deals in the Nordics involve parties restructuring an existing relationship. Erik Linnarsson, a partner at Cirio law firm, shares his perspective on why doing a Deal Review upfront for an existing relationship is a great way to ensure you are ready to make the shift to a Vested partnership.

> *"A formal Deal Review allows people to understand the common Ailments of outsourcing and why the Vested process is important. The contract review portion helps team members see clear evidence where the contract is creating perverse incentives. This level of education is important because it helps teams clearly see the 'why' they need to change and how a Vested agreement is different."*

Another pre-study resource is the Compatibility and Trust Assessment (CaT)[1] All of the teams with an existing relationship (flip the deal) participated in a CaT assessment as part of readiness pre-work. Teams cited the CaT stated as a high impact way to jump-start the discussion around trust and how to close gaps in trust.

> *"Doing a CaT is especially valuable when restructuring an existing relationship because it helped us put elephants in the room and talk about things we had never discussed. It was really a great way to kick off the Vested process."*

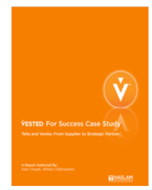
Selecting a New Partner (Request for Partner)
In some cases, organizations are not certain they have the right partner or will need to be working with a new partner. Consider for example Telia, who worked very transactionally with approved suppliers for facilities management and maintenance services across their technical sites. On the surface, maintenance was deemed as a commodity service and Telia's leaders were uncertain making the shift to Vested would be worth the effort. Telia engaged EY Consulting Services to do a pre-study which revealed Telia was using 20 different suppliers across four business units. The disparate approaches resulted in 60 highly transactional "stiff" contacts that were not optimizing Telia's maintenance across its 16,000 technical sites. Completing the pre-study helped Telia understand the potential of how shifting to Vested could create value beyond their current approach.

Business Model Map – Ensuring Vested is The Right Sourcing Business Model
One of the pre-work resources is a Sourcing Business Model exercise which answers the question *"Is Vested right for your situation?"* The University of Tennessee offers a free open source Sourcing Business Model mapping toolkit for those considering Vested. In

addition, Centers of Excellence normally give expert facilitation support for teams to complete a Sourcing Business Model Map. Regardless of if you are doing a no-bid flip or a Request for Partner, Magnus Kuchler – Partner at EY's Consulting Services, shares his advice.

> *The beauty of doing a business model mapping exercise is you can determine if Vested is the right sourcing business model upfront for your relationship. I have been involved in 20 Business Model Mapping exercises and the best solution for six of them was to not use a Vested model. I highly encourage companies to spend a half-day to get the right people in the room to do the business model mapping exercise. After all, why bother to put the time and effort into doing a Vested deal if a Preferred Provider or Performance-Based contract is the most appropriate model.*

Telia offers an excellent example of an organization that formally incorporated a business model mapping exercise as part of their pre-study work. *Download the case study at the University of Tennessee's research library at /www.vestedway.com/vested-library*



In March 2020 the University of Tennessee set out to help make it easier to ensure teams do a Business Model Map exercise by launching a new/free online course – ***Is Vested Right for Your Situation.*** *Register at www.vestedway.com or have a Center of Excellence host an onsite private workshop for you.*

2. Close Gaps In Readiness

A common mistake is that teams often want to jump in headfirst and don't realize the importance of closing the gaps in readiness before they start. This is especially true for teams restructuring an existing agreement. They think 'why do we need pre-work when we know we want to make the shift to Vested?'

Five dimensions of "readiness" should be addressed before beginning any implementation work. Figure 3 (following page) below shows the results of an actual Readiness Assessment. In this example, the only dimension where the company was ready was in having a named champion. A closer look at readiness revealed more work was needed before they kicked off their Vested initiative.

Figure 3 – Readiness Assessment

Organizational Readiness		Score
Stakeholder Analysis		1.90
Vested Knowledge Base		1.50
Champions		3.70
Organizational Alignment		2.20
Dynamic Mandate or Guardrails		3.00
	Total Score	**12.30**
Score Key	**Score**	**Total Score**
Not Ready	≤ 2	≤ 10
Needs Work	> 2 < 3.5	> 10 < 17.5
Ready for Vested	≥ 3.5	≥ 17.5

Dynamic Mandate or Guardrails	3.00
Successful agreements require formal endorsement from corporate authorities. The parties should clearly understand any formal boundaries (guardrails) for conducting external business agreements. This formal review will ensure a no-surprises policy.	
There is an informal understanding by each party of their outside limits for the agreement. However, the parties have not shared these guardrails and come to a joint agreement. You have a review process is in place that includes some key Stakeholders and authorities, but typically these checkpoints are related to "pricing."	

The sample case study above shows that stakeholder analysis scored below. One CDA shares her advice about why having a sound stakeholder analysis and buy-in is essential to get right before you start down the Vested path.

> *"We did not identify the right stakeholders from the beginning. This slowed the core Deal Architect Team down significantly – especially when it came time to do the pricing model. If we had the right people on board from the start and spent the time getting them educated on the why, what and how of Vested we could have easily cut their time to implement by half."*

Jeanette Kazinczy – Manager at EY – provides a summary observation about teams who move forward without being ready.

> *"Not being ready has a negative impact on getting through the contracting process. I find a lack of readiness has a direct correlation with how long it takes teams to get through the contract design workshops. For example, the University of Tennessee offers great guidelines as to suggested minimum time commitment and resources which is done as part of closing gaps in organizational alignment and establishing the deal architect team and the project plan. But some teams think they can just magically do the work faster and with less effort. Teams that do this wind up getting disappointed because they actually end up taking more time than it should."*

In March 2020 the University of Tennessee set out to help make it easier to ensure teams close gaps in readiness by launching a new/free online course ***Getting Ready for Your Vested Journey.***

3. Leverage the Education

The University of Tennessee recommends that at least two people from each organization complete the ***Creating a Vested Agreement online course*** and at least one person from each company (the Core Team Leads) completes all of the Vested courses. Ideally, the Key Personnel as part of ongoing governance should complete their Certified Deal Architect to improve their knowledge, skills and success in sustaining their relationship.

One general lesson from the Nordics experience – and every other Vested agreement – is "don't ***skimp on the education"*** Taking the time for training should be taken seriously. Coming to an implementation workshop without the basic understanding of key concepts simply slows everything down. Cirio Law Firm finds they are constantly challenged by teams they worked with who want to shortcut the process. Anders Buren – Senior Counsel for Cirio – shares:

> *"We deal with questions like: 'This is not the way we've done it before' or 'We're not familiar with this type of approach. Do we have to do it this way?' A big lesson for me is that every time we (as advisors) cave in and let clients skip the foundational education deal teams wind up paying for it. The Vested methodology consciously couples 'learning and doing'. However, teams want to jump right into the doing and skip the learning. I can tell you from experience skimping on the formal education created unnecessary headaches, time and cost that it would have been if teams just trusted the process. As advisors we have learned it is better to tell a client we won't support them rather than allow them to short cut the process.'*

Another Certified Deal Architect comments on the impact of not having the appropriate education.

> *"We should have done more training upfront. The University of Tennessee recommends that partners send at least their Core Team Lead(s) to the Executive Education courses before starting and it is easy to see why in hindsight. We did not do this, and in hindsight it was a miss; it would have been better if we would have received more in-depth training upfront because then we would have been able to see the whole journey in front of us more much clearly, rather than learning just one rule at a time during the workshops."*

EY's Amanda Lundell explains why skipping the formal education is myopic and inefficient.

> *"In one case the buyer and supplier team did not want to do any education before starting to the Vested process. This resulted in a lack of understanding which was especially problematic when the team got the pricing model. The result was that we (EY) had to use valuable workshop time for basic education during the workshops which ultimately added time and cost of getting to a contract. In the end, it was penny wise and pound foolish because it would have been more efficient and less expensive if they simply took the recommended training."*

The University of Tennessee has made several changes because of the lessons learned since the first deal in the Nordics.

In 2016 UT began to offer the Executive Education courses locally in the Nordics to make it easier for organizations to send team members to the onsite courses and in 2020 began to offer classes in a virtual format in five mini-sessions that span over a month.

In 2018 UT launched a group pricing designed to significantly reduce the cost for organizations to enroll their entire Deal Architect Team in the ***Creating a Vested Agreement*** *online course.*

January 2019 the University of Tennessee made it a requirement for any deal team to have at least one person from each organization taking the Creating a Vested Agreement online course. The course in essence is the license to the Vested Toolkit®.

The goal of these changes is to ensure that Deal Architect Teams are at least getting the minimum level of education to succeed.

Bid Phase (if doing a Request for Partner)

Teams that are not certain they have the right partner use what the University of Tennessee calls a Request for Partner (RFPartner) process. The RFPartner process is a highly collaborative supplier selection process used when a buying organization is actively seeking not simply a solution from a supplier, but also the ability to assess multiple providers' cultures, mindsets, and willingness to engage in a collaborative, relational contract.

4. Request for Partner

The Canadian government conducted the first RFPartner process for an environmental services contract in 2015. The success of the Canadian government was documented in a case study and later featured in a white paper outlining the step-by-step RFPartner process in 2017. The original Canadian process took almost 24 months from the release of the tender documents through to the contract. Since then nine companies around the world have been inspired to also use an RFPartner process. One of those was Telia – who was the second company in the world to pilot the RFPartner process.

Robin Warchalowski, Director at EY was a co-lead on the Telia journey.

> *"Telia was the first company in the Nordics to use an RFPartner process. They liked the idea of the RFPartner, but up until then the process had only been used in government deals and the timeline was very conservative and long. A key lesson learned was that the pre-study work*

can be a significant way to jump-start some of the work needed later during the relationship and contract design phase. For example, Telia had to do work around scope regardless. So why not use some of the Vested tools such as the Taxonomy to get a jump start for Rule 2. The Telia case really took the best of the best thinking from the work UT had done and challenged it in practice to see how it could be streamlined. Working with Telia we were able to get the RFPartner process from the 24 months shared in the Vancouver Coastal Health case study down to less than 12 months from the start of the RFPartner process (which was completed in only eight weeks) all the way through to contract signing."

Since Telia's first pilot of the RFPartner process, six other Nordics buy-side companies have used a Request for Partner with each seeking to improve the process. One of the key lessons learned comes from trying to understand the right balance between spending the time pre-selecting suppliers and only letting those into the process that are capable. One common-sense observation was "The more suppliers you let in the collaborative part of the RFPartner process, the more time you will add."

Another example of an RFPartner process is a company that had five suppliers who were invited to participate in the collaborative bidding process. The buy-side organization did one-hour workshops with each supplier as part of some basic education on Vested at the very beginning of the process to get suppliers up to speed. While the intent was good, a key lesson learned was this limited time was not enough. EY's Warchalowski suggests that buying organizations make sure they are crystal clear with potential suppliers at the outset they intend to get to a Vested agreement and that suppliers should participate in a minimum level of education before the collaborative RFPartner workshops.

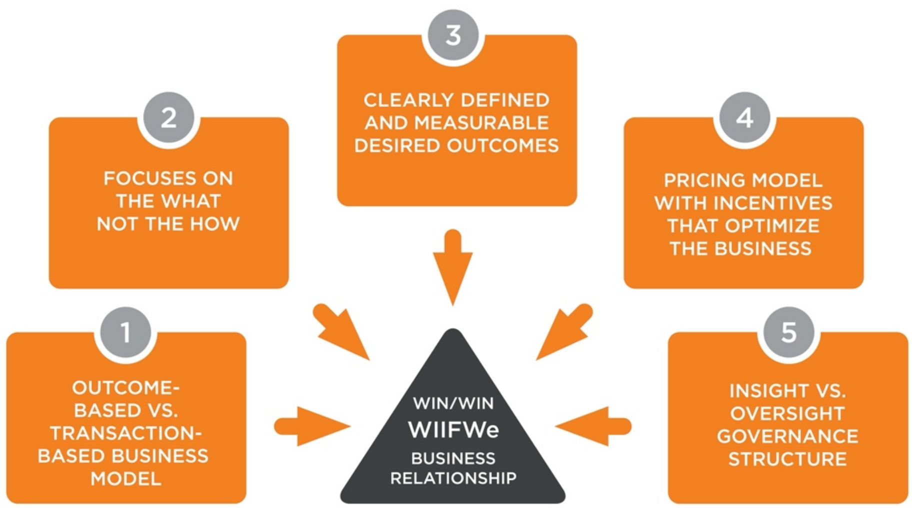
The RFPartner process has been refined over time as more buy-side companies go through the process.

In 2019 the University of Tennessee took the collective lessons learned from the nine Request for Partner pilots around the world and revised the Request for Partner process to incorporate the lessons learned. The result was a streamlined RFPartner process which shortened the timeline by over half. To learn more, download the RFPartner white paper (second edition) from the University of Tennessee's dedicated research library at www.vestedway.com/vested-library

Design/Contracting Phase

Once the decision is made to "go Vested," the real work begins. The crux of reaching any Vested agreement lies in collaboratively working through the Five Rules and implementing the results in the relational contract. The process demands teams to co-create deliverables and decide jointly which "follow the rules." Teams that effectively follow the process design a win-win agreement that motivates suppliers to invest in continuous improvement and transformation initiatives to achieve mutually defined Desired Outcomes. The rules can't be skipped and must be followed in order, as seen in **Figure 4** below.

Figure 4 – The Five Rules of Vested



Interviews with Certified Deal Architects revealed a simple lesson learned is "***follow the process***. Across the board, deal teams acknowledged the rules are there for a reason; you need to follow them." Mia Loberg-Landstrom - Senior Supplier Relationship Manager for Astra Zeneca - shares her insight:

> *"Once you know the Vested process it is intuitive."*

Lars Andreasson, the Caverion Business Development Manager who worked on the deal with Mia, shares why he likes the Vested methodology:

> *"The Vested methodology is not a traditional negotiation; we built a deal together. We had the courage to do something we had not done before."*

Trusting the process is a lesson that is most often only realized after the fact. Most teams question the time and effort they would need to put into their Vested journey. Magnus

Kuchler – Partner at EY - has done over 125 outsourcing deals in his career as an adviser and sums up his advice. "There are no shortcuts in the Vested process. Trust the process and you will succeed." The results validate this; teams that followed the process were across the board more productive in their solutioning workshops and ultimately spent less time getting to contract signing. A major lesson one team cited was the importance of finishing work on each rule before moving on to the next.

> *"We should have established that an item was completed before moving on to the next Rule. In our case, we entered Rule 4 (pricing model) before we had completed the work from Rule 2 (scope/workload allocation). We wound up getting stalled and found that trying to rush things only slowed us down. The Rules are in the order they are for a reason."*

A key part of following the process is including formal Vested education in the workshops where a joint buyer-supplier deal team comes together to put the Vested theory into practice. Ingrid Wallgren – Telia's procurement professional on the Telia-Veolia deal – shared the following insight.

> *"If the online course was where the team got the basics and inspirations, the workshops were where the team got the work done. Working with our coaches during the workshops was great. It was actually something that changed my view on making the deal happen. We learned to work together with Veolia during these workshops. We divided the work and we really worked closely together to get the best out of both companies."*

Sebastian Hamlund – Business Developer for Veolia – agrees:

> *"The more Veolia worked within the methodology, the more we liked it. Usually when we get a new contract, we focus a lot on price and how are we going to make money, and what are you going to do to make up the money. But with Vested the focus changed. For me, an important aspect is that in the Vested model we focus more on the road to success and defining what is important. When working this way success will come just by following the Rules."*

Another CDA commented:

> *"The structured workshop approach was an asset. Everyone felt involved and it was a very inclusive atmosphere, and everyone got their say in how we would structure our relationship to follow the Vested Five Rules. From my view the workshops the key reason for our success. You have to put the time in to do the co-creation – but that is where the magic happens."*

The Vested methodology calls for deal architect teams to use formal Gate Reviews with key stakeholders – especially those that will be signing the actual agreement. A lesson learned from teams who did not do this was a loud and clear ***"don't skip formal gate reviews."***

In 2018 the University of Tennessee launched its Certified Deal Architect conference to help CDAs learn and share from each other's experience. In March 2020 UT took this one step further and launched a CDA Coaching program to help CDAs who do multiple deals to go deeper in their skill development. The goal is to help CDAs both within companies and Centers of Excellence further continue their knowledge and continue to learn from others.

5. Implementing the Five Rules of Vested

While there are many lessons to learn about how to implement the Five Rule when architecting a Vested partnership, across the board deal architect teams echoed one lesson learned - ***transparency is critical.*** Transparency builds trust, and without transparency it is impossible to get to a fair and balanced win-win agreement. One team sums it up nicely with the statement

> *"Transparency helps us see the whole. Once we began to be transparent we could see the power of Vested."*

The rest of this section shares insights and lessons learned for each of the Vested Five Rules.

Rule 1 -- Focus on outcomes, not transactions
The Vested methodology takes parties away from the typical transaction-based deal to one based on mutually defined outcomes and a "what's in it for we" mindset. It is in Rule 1 the parties create a formal "Statement of Intent" that establishes their shared vision and guiding principles for the relationship, and include this in the relational contract (which in turn shall be interpreted in light of the guiding principles).

Astra Zeneca's Mia Loberg-Landstrom earned her CDA as part of their deal with Caverion. She says one of the key lessons for her from Rule 1 was learning "the power of the shared vision and the guiding principles."

Sebastian Hamlund – Business Developer for Veolia – offers a supplier's perspective to the power of co-creating a Statement of Intent.

> *"We also really liked the fact that we were working with a neutral third party Certified Deal Architect coach who helped both Telia and Veolia define how we are going to behave in this future contract. That made us really secure."*

Alexander Lundin's (CDA that have coached six deals, at EY) favorite parts about coaching Vested deals is seeing how the team comes together during Rule 1

> *"Rule 1 is typically easy because of the pre-work and Getting Ready work teams do. When deal teams co-create their Statement of Intent you can really see the concept coming to life for the deal team and how the team is forged together."*

One CDA commented:

> *"It is hard to explain the magic that happens in the Rule 1 workshop. During these early workshop days, we were truly laying the foundation for the entire relationship."*

Rule 2 -- Focus on What, Not How

Rule 2 is where the "meat" of the contracting process begins to take shape. It aims at documenting the Desired Outcomes, the Statement of Objectives (SOO) and a taxonomy/workload allocation for how the work will get done. Deal teams reported that Rule 2 was one of the easiest to implement in terms of concept. However, interviews with EY's CDA coaches revealed that organizations with a strong engineering background often find it more difficult to grasp the concept of the taxonomy and workload allocation those not engineering oriented. Alexander Lundin (EY CDA) shared,

> *"The more a buying organization feels they are the expert in something, the harder they have at getting the right mindset to develop the taxonomy and workload allocation. In one case the buyer needed to add workshop days to do the taxonomy because they struggled through the concept and kept wanting to go into traditional SOW/spec writing mode."*

EY also has lessons learned in how they help coach deals. For example, EY's Warchalowski shares a key lesson EY has had when they roll out the RFPartner process is to allocate more time for the taxonomy and workload allocation – especially when a new supplier is coming into or expanding their workscope.

> *"It is definitely important to adjust the standard Vested implementation timeline when doing an RFPartner process versus a flipping an existing deal to a Vested relationship. When existing partners are restructuring an existing deal they know the work. But in an RFPartner, new suppliers do not know the work and we need to add time for them to get familiar with the scope of work."*

Rule 3 -- Clearly Defined and Measurable Desired Outcomes

Vested Rule 3 directs the parties to clearly define and measure their Desired Outcomes. There are two aspects when it comes to how an organization should do this: one deals with actual performance metrics and the other deals with managing ongoing performance.

A lesson learned echoed by CDAs was, ***"Less is more when creating your Desired Outcomes."*** A well-structured Vested agreement focuses on the critical few metrics linked to achieving the mutually defined Desired Outcomes. Deal teams co-create a Requirements Roadmap with typically five or less Desired Outcomes and 12 or fewer metrics. Teams mostly adhered to this rule of thumb. The number of Desired Outcomes and metrics for Nordics deals ranged from a low of three Desired Outcomes and nine metrics to a high of six Desired Outcomes and 18 metrics.

Veolia's Hamlund shares a lesson learned from their deal team.

> *"Our joint Telia and Veolia team were new to Vested. At one point, Telia and Veolia had amassed about 30 objectives and even more metrics. But having a CDA coach who was an expert on the Vested methodology helped the team work through these common mistakes and reduce the number of metrics to 18."*

Ingrid Wallgren was the procurement professional on the Telia-Veolia deal. She adds:

> *"We were beginners; we were amateurs. We really thought that we had really impressive sets of outcomes and measures. But when our CDA coach Erik Linnarsson came to the workshops to work with us on finalizing our homework and getting it ready for the contract, he was quick to point out we were not following the Vested rules. He was patient in helping us understand the why of Rule 3 and leading us down the right path. When we got the Rule 4, we could then look back and be super thankful we took Erik's advice. Otherwise it would have been very hard to link to the pricing model to achieve all of those objectives and metrics."*

Rule 4 -- Pricing Model with Incentives

When Rule 4 is implemented successfully, the parties create a paradigm shift because the Vested approach ties the supplier's profitability to meeting their mutually agreed upon Desired Outcomes. This ultimately creates a win-win relationship where the buyer and supplier's destinies are linked.

For the most part pricing models for the Nordic deals featured Cost Pass-Through compensation model. None of the deals use a fixed price or GMP (guaranteed maximum price) approach – something that has been popular in recent years for facilities management deals. One deal team participant explains why this makes sense.

> *"In Vested deals, you are seeking to fair and flexible pricing model framework. GMP deals – while they sound great on the surface – actually create an "us versus them" battle around price and scope creep. Going through the Vested methodology has taught us how to think smarter about the economics of managing a large and complex outsourcing deal.*

One lesson learned that is unanimous across all deal teams is that developing the pricing model is definitely the hardest part of the process. There are four key lessons learned from the Nordics deals regarding developing a pricing model.

- teams always underestimate the effort it will take and how hard it is
- it's important to have the right people involved in the pricing discussion
- make sure guardrails are fully addressed before pricing model discussions takes place
- take care to avoid too much complexity; the main idea behind the Vested pricing model is flexibility, not complexity

EY's Robin Warchalowski explains how EY has modified how they coach deals through creating a Vested pricing model to help deal teams work through the Pricing Model more efficiently and effectively.

> *"As facilitators, EY has had to go through our own learning curve on how we help clients go from theory to practice in creating their pricing model. For example, we now adapt the terminology for Rule 4 to fit the audience because different industries use different words for similar concepts. We also created a "pricing model starter pack" to help clients work more efficiently through their developing and testing their pricing model."*

EY's Magnus Kuchler adds that EY has also modified the implementation plan deal teams use to give more time for developing the pricing model.

EY's Jeanette Kazinczy says the most significant lesson learned for her was how painful it for a team to get through the pricing model when they are not participating in the formal education.

> *"It's always difficult to coach teams that skip the formal education of Vested. But this difficulty is exponential when it comes to the pricing model. In one case, the buyer/supplier Deal Architect Team wound up having us use workshop time to do basic education which added multiple workshops days – and costs. It was really penny wise and pound foolish for them to not invest in the education."*

Rule 5 – Governance for Insight vs. Oversight

Following Vested's first four rules helps the parties reach a collaborative, win-win Vested agreement. But keeping the agreement aligned and smoothly operating hinges on Rule 5, which creates a sound governance structure based on insight, not oversight. The four most complex agreements used a four-tier governance structure while the remaining ten relied on a more simplified three-tier structure. In all cases, the teams embedded a two-in-the-box peer-to-peer communication structure and had bi-lateral key personnel clauses.

One deal architect shares a key lesson he learned as part of Rule 5.

> *"We were using Quarterly Business Reviews so having a regular cadence and face-to-face connection with our key suppliers was not new. However, a key lesson for our company was in making the strategic shift away from managing the supplier to true governance where we are managing the business with the supplier."*

All companies making the shift to Vested had a common lesson learned in that their existing supplier agreements made the common mistake of not having a dedicated role for Transformation management. For David Frydlinger – Managing Partner for Cirio Law Firm – this was not a surprise. However, what has surprised him is how many deal teams push back about the need to put in a dedicated Transformation Manager.

> *"All Deal Architect teams see the value and a need to put in a dedicated Transformation Manager in place to drive transformation. However, ironically not all teams designed one into their actual agreement. The reasons for this varied – but often had to do with budget/headcount limitations. We always scratch our heads and tell clients 'you want transformation. You are entering into a deal structure designed to drive transformation. Yet you don't want to fund at least one dedicated person from each company as a Transformation Manager?"*

To keep the spirit of Vested, some teams created a "Transformation Committee." One team did a hybrid approach where they had one dedicated Transformation Manager between the buyer and supplier with the headcount being placed at the supplier but being co-funded by the buying organization.

EY and Cirio are closely watching the deal teams that did not design in a dedicated two-in-a-box Transformation Manager into their relationship. Frydlinger adds,

> *"It is too early to tell the impact of organizations that short staff the Transformation Management. However, we do strongly believe there will be a direct correlation between staffing a dedicated Transformation Manager two-in-a-box pairing and the ability to drive forward innovation initiatives."*

For this reason, the lesson learned is ***don't underestimate Element 8 – Transformation Management.***

Complete a Formal Validation

While not required, the University of Tennessee recommends deal architect teams submit their agreement for the Validation course. The Validation course is the capstone course as part of the UT's Certified Deal Architect program. The program pairs a UT Faculty member who reviews the team's agreement – ideally before the contract is signed. The benefits of the Validation course are to point out any weaknesses in the architecture of the agreement. By completing the Validation before signing, the contract teams can address any misses or weaknesses.

Seven of the 16 deals in the Nordics took advantage of the UT Validation course. Almost all of the teams made corrections based on the review. One CDA reflects:

> *" We got excellent and actionable feedback from the UT Validation. It led to that we included many items as development activities in our joint plans; this included e.g., how to work with risk management in practice. We also made some amendments to the contract, such as clarifying the rules on contract extension incentives."*

The University of Tennessee has learned from every Vested implementation. The best of the best learnings were embedded into a revamped ***Creating a Vested Agreement online course*** *in 2020.*

Transition Phase

6. Transitioning into Vested

Most organizations have experience with transitioning the physical scope associated with their deal and have a typical mantra of "we've got this – it will be the easy part!" However, almost all deal teams revealed they significantly underestimated the transition to make the shift to a Vested agreement. Why? One CDA explains:

> *"In a Vested agreement, you are not simply transitioning work. You are also transitioning from a what's-in-it-for-me transactional way of working to a what's-in-it-for-we mindset and way and way of working. Getting people to get the Vested mindset and how they treat each other is often very hard as they have been working under a Master-Slave mentality for years where the buyer is the buyer and the supplier is deemed to be subservient to the buyer. Getting people to change their mindset is so much harder than you think it will be. As a deal team – we were very Vested. But then our eyes were opened wide when we started the transition and realized that everyone else outside of the deal team would need to go through the same metamorphous we had."*

The lesson learned? ***"Onboarding is essential"*** Here is the collective advice from those who have been there.

- Onboard at the lowest levels - even janitors and receptionists. These are the people that can drive continuous improvement.
- Keep the team together post-contract signing. The Vested methodology calls for 50-70% of the deal team who architected the deal should stay on the deal as part of governance – with some staying on the team for up to three years. This is a rule of thumb for a reason – follow it.
- Make the Guiding Principles come to life. For example, focus on one Guiding Principles of the month or have each team meeting start by reviewing one Guiding Principles you want to focus on.
- Set the expectation that behavior change is expected, and "cheating" won't be tolerated. But create a safe environment.
- Don't keep people with the wrong mindset. In every deal, there is at least a small percentage of the people who won't change. As the formal education teaches - change the people or change the people. Don't drag it out if someone is not trying to positively change to what-in-it-for-we behaviors.
- If you need to change out people with the wrong mindset, do it before the transition because or they will be a cancer for others trying to change proactively.

- Don't do separate onboarding. Many think it is awkward to onboard separately – but it is powerful to do together. Part of the learning is learning how to work together and starting with joint onboarding sets the tone.

EY's Magnus Kuchler has overseen all of the Vested RFPartner processes in the Nordics. Kuchler offers the following advice for suppliers chosen as partners as part of the RFPartner process.

> *"When doing an RFP, suppliers should not wait until after the deal is signed to start the transition. For example, start to recruit team members right after you know you are selected as the partner. Failing to get a head start will add lead time and lose momentum. Remember, both the buyer and supplier established Guardrails and the agreed on the Statement of Intent."*

The University of Tennessee has been collecting onboarding best practices and is incorporating the best ideas into a refresh of the Creating a Vested Agreement online course which will launch in the fall of 2020. The new onboarding content of the course represents a significant (20x) increase in content.

Ongoing Governance Phase

7. Living in Vested

Deal team members with a Vested agreement over 18 months are very vocal in their advice to others – *live into your agreement!* This advice takes three forms.

First, remember that ***onboarding is essential.*** Onboarding is not something you only do at the initial transition – but something you need to do ongoing. One CDA shares her perspective.

> *"It is easy to find yourself falling off the wagon when it comes to onboarding. You put all of this effort into the transition and initial onboarding and claim victory. But what you fail to realize is there are always new people flexing in and out when it comes to such a large deal. You look around 18 months into the steady-state and realize that there are a whole bunch of new faces who are not living the Vested behaviors. And then you realize the root cause is they were never onboarded!"*

The second lesson learned goes along with the first – but is specifically targeted executive level stakeholders and stakeholders outside of the control of the Vested team; ***stakeholder management is not a once and done.*** One CDA shares their perspective:

> *"The lesson I learned the hard way is stakeholder management is not once and done. When you are getting ready for your Vested journey you learn about the common "ailments" that inflict buyer-supplier relationships. When you apply the Vested Five Rules properly almost all of them go away. But one – the New Sheriff in Town ailment is something you need to watch out for post-contract signing. I can tell you first hand the New Sherriff in Town ailment is real. If you are not proactive in onboarding these "outsiders" it will certainly haunt you. For example, the original procurement person on the team was fabulous. But when he left there was a new procurement person who felt only knew old-school beat-the-crap-out-of-the-supplier tactics. This was a significant setback that could have easily been avoided with ongoing onboarding and educating new players."*

Last, deal team members offer the advice to ***don't let off the gas on governance once things are going well.*** EY and Cirio Law Firm have had first-hand experience in advising the Vested deals in the Nordics. Following the process to get to a Vested agreement also means living into the process. When EY and Cirio coaches follow up with organizations that have made the shift to Vested they find the ones not continuing to drive transformation and continuous improvement at the rate of change they would like almost always have let off the gas on governance once things are going well. EY's Magnus Kuchler explains:

> *"When people go through the Vested process they are tightly aligned and almost all claim their relationship is the best they have seen. A trap for some teams is that since the relationship is so good they can let up on the rigor of their formal governance cadence. When I start to see teams wanting to scale back on governance it is almost always not by intent, but because in their mind they justify things are going well and there is no need. If left unchecked it becomes easy for the parties to lose momentum on their climb to achieve their Desired Outcomes. In one case I jokingly reminded the Vested partners 'remember, if you are not living into your intentions and governance you are in essence in breach of contract.'*

One way Vested partners are staying on top of their relationship health is by repeating the Compatibility and Trust Assessment (CaT). One way the CaT views relational health is by looking at how individuals involved in the relationship describe their partnership. Before Vested, a CaT was not done, and most people interviewed described the relationship as frustrating and challenging with a lack of Collaboration. The CaT assessment was done in 2019 after Vested had been operationalized and again in 2020.

There is a marked improvement in the health of the relationship**. Figure 5** shows the percentage of individuals having negative, neutral, and positive feelings about the relationship. The positive ratings improved from only 58% to over 90% between 2019 and 2020. **Figure 6** expands on this by showing the adjectives team members used to describe how they felt about the relationship. From 2019 to 2020 the percent of negative words decreased from 16.7% to only 1.6%.

Figure 5: Percentage of Individuals Having Negative, Neutral and Positive View

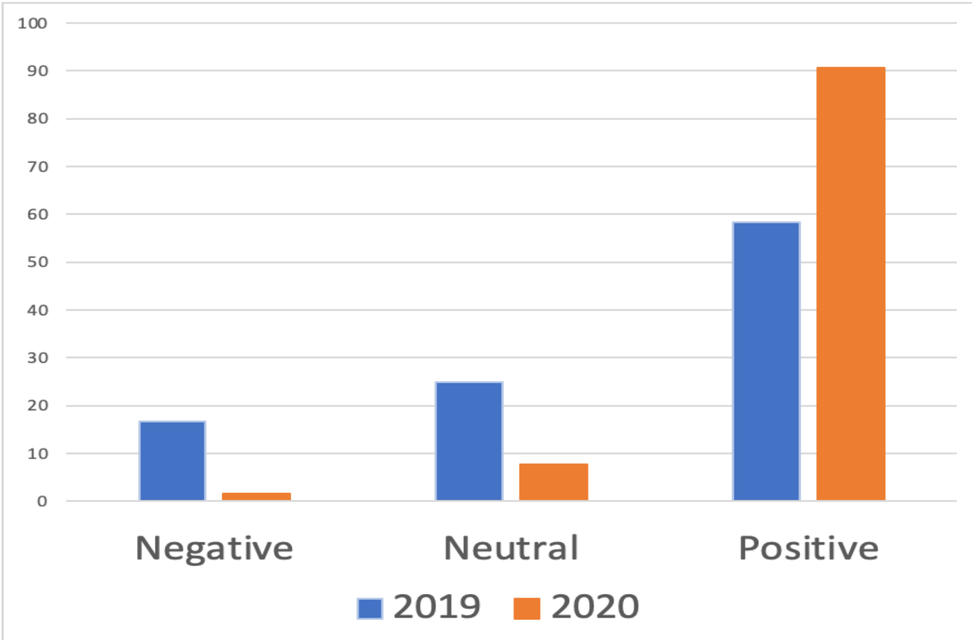
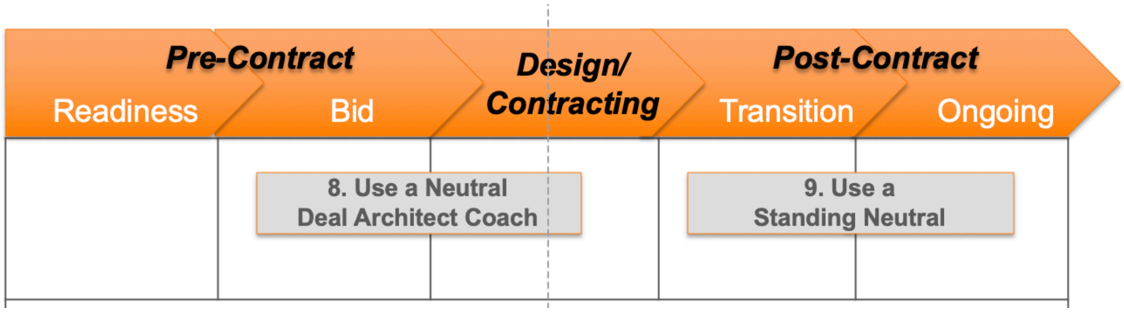


Figure 6: Words Used to Describe the Relationship

2019 **2020**

The University of Tennessee has begun a research project to collect best practices for how organizations are living into their agreement. We hope to publish a white paper in the next twelve to eighteen months.

Using A Neutral Coach



A key part of the success of Vested includes working with a neutral third-party Certified Deal Architect as a coach. The neutral coach works for both the buyer and the supplier. A neutral can and should be used in two capacities;

1) As a Deal Architect Coach during the design/contracting phase and if needed – during the bid process once suppliers have been down selected and enter into the Request for Partner process.
2) Post-contract signing in the capacity of a Standing Neutral with the goal to help the parties stay in continual alignment and live into their intentions.

Lessons learned from each of these are shared in this section.

8. Use a Neutral Deal Architect Coach (Contracting-Phase)

A key part of the success of Vested includes working with a neutral third party Certified Deal Architect as a coach who works for both the buyer and the supplier Deal Architect Team during the contract development phase. All 16 of the Vested deals in the Nordics have used at least some coaching support – with all but one using UT's recommend minimum support. A unique feature in the Nordics in terms of coaching is the collaboration between EY Consulting Services and Cirio Law Firm, teaming up to provide neutral facilitation support from both a commercial and legal perspective.

The Telia-Veolia case study provides significant insight behind the scenes on how the joint team worked with a Vested Center of Excellence to provide coaching support.

Telia's Andreas Sahlén liked having someone to continually challenge each organization's thinking without favoritism or an agenda.

> *"Playing the role of a neutral facilitator was a key part of the CDAs role. It was a good way to build trust and spur innovation. While we did a lot of work on our own, having EY and CIRIO to guide us was invaluable."*

Ingrid Wallgren – Telia's procurement professional on the Telia-Veolia deal – agrees and shared how using a neutral CDA coach helped them put the Vested theory into practice.

> *"The really good part was that our CDA coach was not sitting on one side. They were on both sides, both supplier and buyer. So they were really good at handling the facilitator role and not taking one perspective*

in the different discussions we had. They managed to drive the discussions from both sides very well. And that was good for us."

Sebastian Hamlund, Business Developer for Veolia, on the Telia-Veolia provides additional insights.

> *"Our Certified Deal Architect coach (Erik Linnarsson) was working with both Telia and Veolia and helping us define how we are going to behave in this future contract. That made us really secure. Erik explained, 'This is what Vested is. This is why and what Telia is doing.' We began to see how we would measure success and how we as a supplier could become successful under a Vested model. We also really liked the fact that we were working with a neutral third party Certified Deal Architect coach who helped both Telia and Veolia define how we are going to behave in this future contract. That made us really secure."*

He adds an example of how a coach helped them get through Rule 4 (Pricing Model with Incentives).

> *"Cirio was really, really great in helping us stay focused on how Vested grows the pie and shares the pie mindset as we set out to create the pricing model. Usually when we get a new contract we focus a lot on the' how' and 'price' – trying to translate the customer's work into how we are going to make money and what we are going to do to make up the money if we end up on the short end of the stick in pricing negotiations. Vested was different. Erik reminded us of our commitments and how we needed to behave and that helped us stay the course."*

Wallgren observed:

> *"If you were an outsider on the team and you came in the room you could not tell (if EY or CIRIO) were working for Telia or working for Veolia; you wouldn't know because they were very neutral. I think it's great that they had the integrity to actually manage that way throughout the whole project."*

9. Use a Standing Neutral Post Contract Signing (Post-Contracting Phase)

Employing a *Standing Neutral* has emerged as a somewhat overlooked, under-emphasized concept that should be included throughout the implementation process *and* post-agreement operation. Using a "standing neutral advisor is important to proactively manage misalignment and potential issues/concerns before they become a dispute. In fact, research shows that embedding a Standing Neutral as part of ongoing governance is a best practice.[2]

While all of the Nordics Vested agreements used a neutral Certified Deal Architect coach as part of the contracting phase, virtually none of the Nordic agreements have a formal, permanent Standing Neutral in place. When asked why most teams echoed something like "Who needs a Standing Neutral – this is the best relationship we have ever had!" While that is proof of the value of the Vested process, we believe it is myopic. Why? While the key personnel are tight alignment and harmony immediately following the contract signing, these same individuals will not always be part of the governance. In the words of Nobel Laureate Oliver Williamson, "all complex contracts will be incomplete"

The good news is that Nordics teams are using a Standing Neutral in some capacity – especially as the organizations ramp up post-contract signing. It is common for Vested partners to tap into their neutral CDA Coach for post-contract signing support and ad-hoc support. Vested partners in the Nordics have used a Standing Neutral in the following capacity:

- Stayed on during the transition phase for six months to make sure the basics of the agreement were followed
- Facilitated transformation workshops
- Onboarding on key personnel
- Ad-hoc advice on how to incorporate new scope
- Performed health checks & moderated a discussion on the results
- Performed training and innovation workshops

We think as more deals mature they will add a Standing Neutral – at least on a limited capacity.

The University of Tennessee has completed a 24-month research initiative on the best practices in using a Standing Neutral. In March 2020, UT published a comprehensive white paper on the topic – Unpacking the Standing Neutral. The paper offers research and case studies of how twelve organizations are using a Standing Neutral to ensure continual alignment in strategic partnerships.

PART 4: THE RESULTS

A key part of the ongoing research on Vested is to work with companies to capture their case studies – in particular the before and after results. In some cases we work with the Vested Center of Excellence coach to track progress and – where possible – we try to work directly with the Vested partners to capture the results in a formal case study.

Sadly, most companies are not willing to share their results – even if they do share what they are doing publicly. The companies in the Nordics are very typical in not wanting to share their results. The key reasons cited are:

- Confidential nature of their agreement
- Too much hassle to clear their PR department

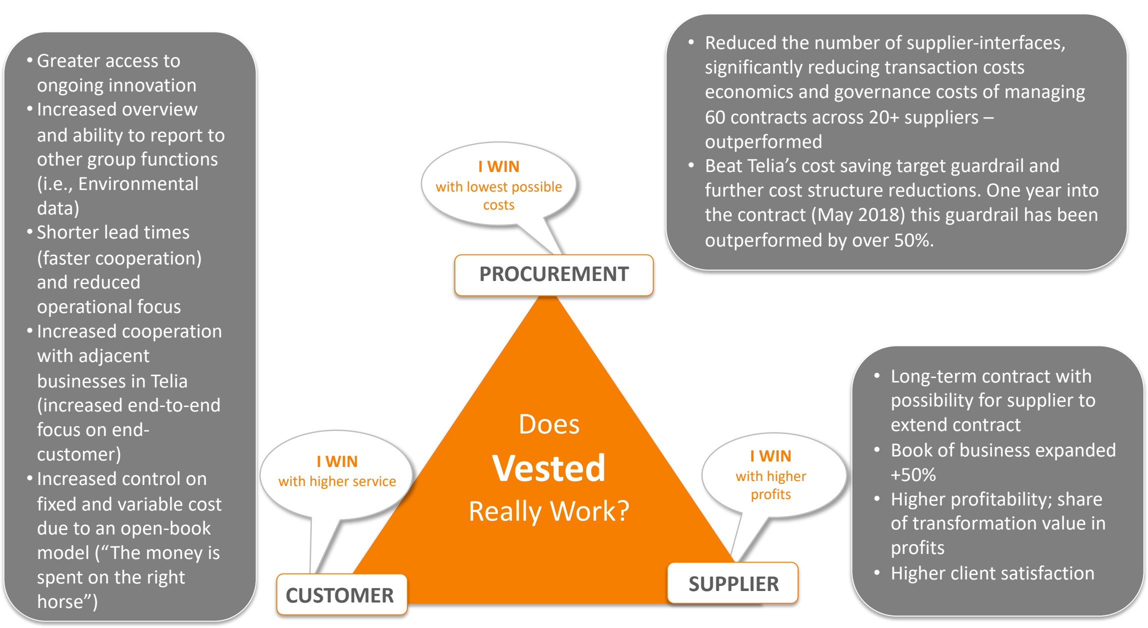
Profiling Results: Performance Pyramid

In the Nordics, only four of the 16 Vested agreements are public about their Vested agreements. Individuals from these organizations are quoted in this white paper. One of these (Telia-Veolia) has allowed us to profile them in a case study. UT is in the process of documenting the Johnson & Johnson-Sodexo case.

When UT does a case study a key goal is to create a Performance Pyramid. A Performance Pyramid documents the before and after success on how the parties are "winning" with their partnership – capturing improvements cost and service benefits for the buyer and revenue/profit and other incentives earned for the supplier. This is usually done sometime between the two-year and five-year mark in a Vested relationship to gauge the effectiveness of the shift to Vested.

Figure 6 shares the Performance Pyramid for the Telia/Veolia deal.

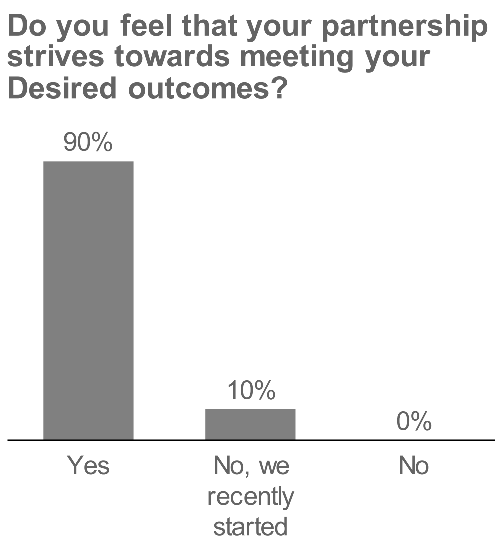
Figure 6: Telia/Veolia Performance Pyramid

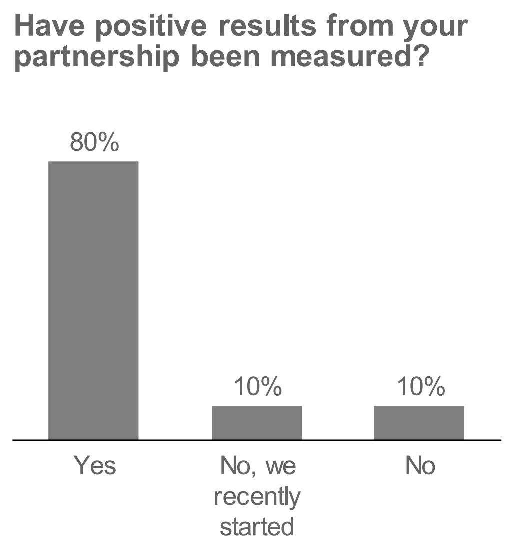


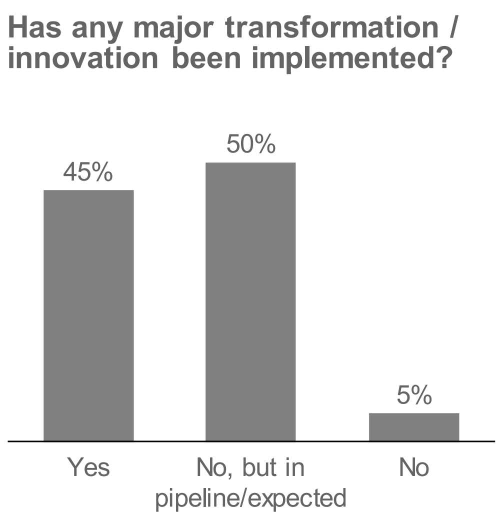
Indication of Results: Qualitative Questions

A part of the research behind this white paper included a qualitative survey to gauge the value of Vested. The below results are based on the answers from the buyer side in a majority of the deals out of the 16 featured in this paper.

Three questions clearly **indicate that Vested partnerships are achieving positive results.** 80% have been able to measure positive results and all except those that have recently started their Vested journey perceive that they are moving towards their Desired Outcomes. 95% have implemented or expect to implement major innovations/transformations.

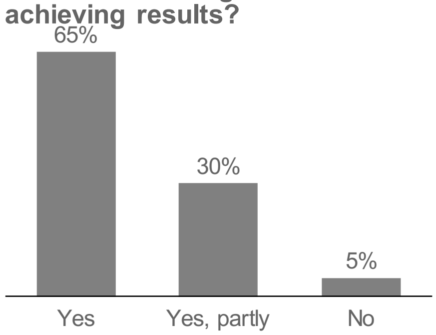




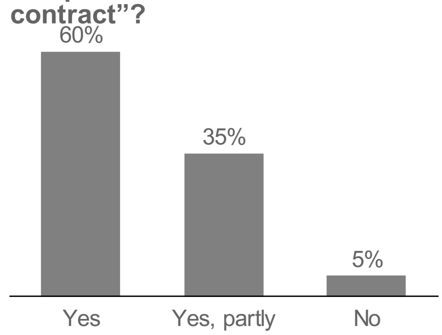


Four other questions **indicate that the tools within Vested work**. First, 95% of the buyers perceive that their partner has engaged the A-team (fully or partly). Second, the governance structure these persons work within is perceived to work better than in a "traditional contract" for 95% of the buyers. Third, the pricing model seems to drive the right behavior. And finally, 95% have achieved a WIIFWe (what's in it for We) culture within parts of the organization. It does however seem that it is very hard to spread this culture across the entire organization (only 5% have spread across the entire org.)

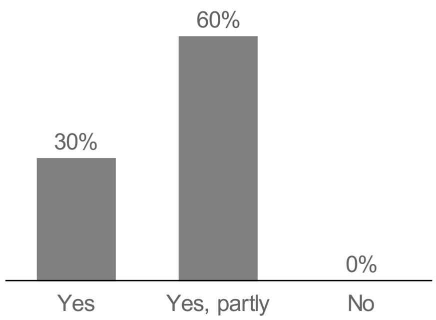
Does you governance structure work better than in a "traditional contract" with regards to achieving results?



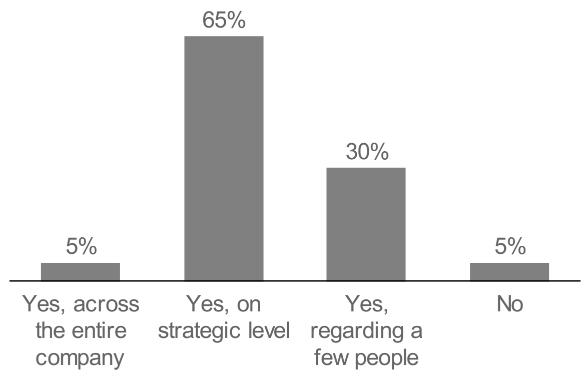
Have your partner engaged the "A-team" in the relationship, compared to a "traditional contract"?



Does your pricing model drive the right behavior?

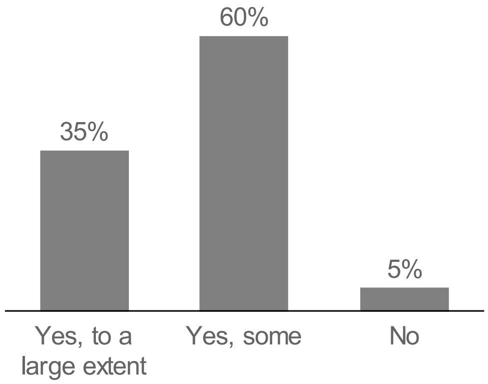


Have you managed to achieve a WFIWe culture in your virtual company?

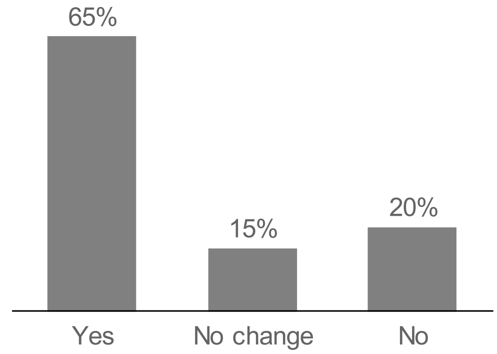


Three questions indicate that the Vested deals have had a **positive impact on the people working within them**. First, 95% of the functions (FM, BPO, etc.) have gained more attention from management after introducing Vested. Second, most (85%) of the contracts have gained a positive response from the persons working within the virtual company / Vested relationship. Lastly – and most interesting – is the fact that most of the persons responsible for the contracts have gained a more inspiring everyday life (65%).

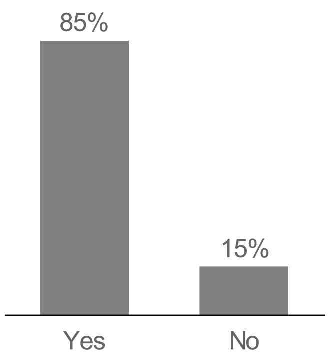
Has your function (FM, BPO, etc.) received increased interest from management since the introduction of Vested?



Have you gained a more inspiring everyday life sine the introduction of Vested?



Have you received a positive response from employees and managers who are involved in the agreement / relationship?



Benefits of Vested in Managing Through COVID

Many have asked how Vested agreements held in during the 2020 COVID Pandemic. This is a question that has piqued the interest of University of Tennessee researchers who have set out to interview key personnel from Vested agreements around the world.

While the results of that research will not be available until next year, early interviews indicated that Vested agreements are living into the design principle of having a fair and flexible way to deal with uncertainty. One early interview is with a pharmaceutical company that outsources facilities management services. When the pandemic forced the pharma company to send employees home, the need for facilities services such as cleaning and dining services virtually came to a standstill since they were no longer required. COVID created a classic example of an I-win-you-lose scenario because the sudden decrease in volume was a windfall for the pharma company as they budgeted for certain levels of services that were no longer needed. However, the service provider was set to lose big because the lost work converted to lost revenue and furloughed employees.

The parties' formal relational contract is grounded in trust, transparency and proactive problem-solving. Rather than go us-versus-them, the parties worked in a highly collaborative manner using the Guiding Principles to find solutions that would balance the needs of both the pharma company and the service provider. Creativity – not conflict – emerged. Collectively the parties came up with dozens of ideas that could help them flexibility modify the workload. For example, one win-win idea to prevent furloughing dining service employees was to redirect their efforts to provide tailored meal services for the scientists working around the clock on a Covid-19 vaccine. Other solutions were to pull forward required maintenance initiatives that had been budgeted but not scheduled yet. Bottom line? The days of difficult scope creep and price negotiations were replaced by positive behaviors with the goal to optimize for changed circumstances.

CONCLUSION/SUMMARY

The success of Vested in the Nordics provides an excellent playground for studying the evolution of Vested and how organizations are putting the Vested theory into practice in real deals. At the time of publication:

- There are 16 Vested deals in the Nordics, having an annual contract value of above 800M USD in total. Industries include Telco, Manufacturing, Pharmaceutical, Financial Services, Energy and Professional Services.
- Facilities Management is the most common scope of service for Vested agreements. Six of the most well-known facilities management suppliers now have Vested deals in the Nordics. Several facilities management companies also have Vested deals with their suppliers (not studied in this white paper)
- Four of the 16 deals are reaching outside the Nordics, to an EMEIA or Global level.
- Most of the deals (56%) are "flip the deal" where existing parties are restricting existing agreements

While understanding key data regarding the scope and scale of the Vested deals is interesting, the most important part of the research was to examine the lessons learned from the Nordic experiences. This white paper delivers on that promise, providing an excellent guide on what to do (and not do!) when architecting a Vested agreement.

Must Do's	Don't Do's
1. *Trust the Process* 2. *Transparency is critical* 3. *Less is more when creating your Desired Outcomes* 4. *Don't underestimate Element 8 – Transformation Management* 5. *Onboarding is essential* 6. *Stakeholder management is not a once and done*	1. *Don't start the Vested process if you are not ready* 2. *Don't skimp on education* 3. *Don't skip the formal gate reviews* 4. *Don't let off the gas on governance once things are going well*

Last, it is with great pleasure we report the results of a qualitative survey that indicates the Vested methodology delivers results superior to conventional transactional and performance-based contract. This includes early feedback that Vested agreements are well suited to cope with the uncertainties of COVID in a fair and flexible manner. An analysis of deals who have done Compatibility and Trust Assessments supports Vested partnerships are strengthening as they being to live into their agreement and operational the Five Rules.

We hope this white paper helps the next generation of organizations making the shift to a Vested relationship.

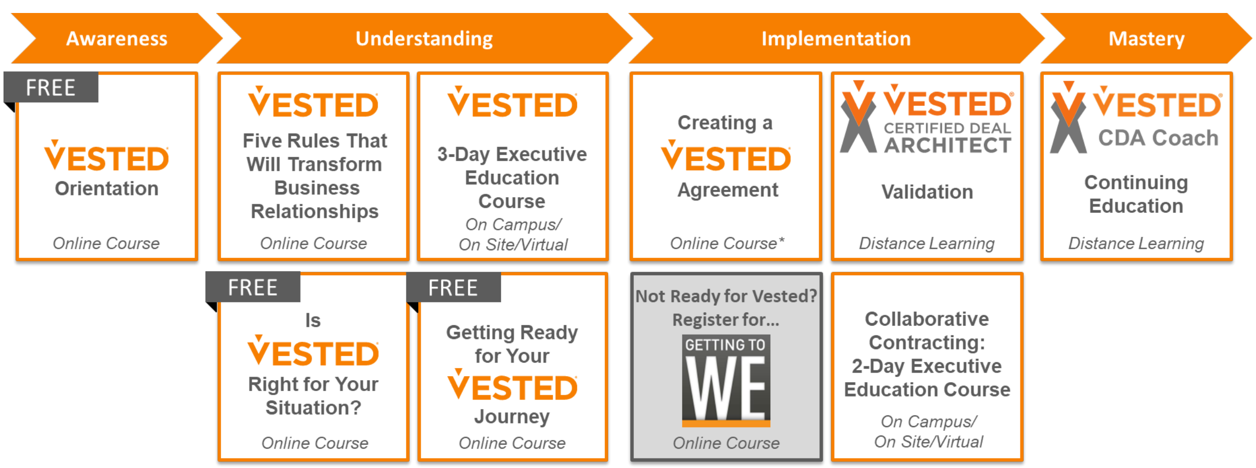
FOR MORE INFORMATION

The University of Tennessee is highly regarded for its Graduate and Executive Education programs. Ranked #1 in the world in supply chain management research, researchers have authored seven books on the Vested business model and its application in strategic sourcing.

WHY | WHAT | HOW | WHEN | NEGOTIATE THE RELATIONSHIP | TELLS THE REAL STORIES

We encourage you to read the books on Vested, which can be found at most online book retailers (e.g., Amazon, Barnes and Noble) or at [www.vestedway.com/books.](http://www.vestedway.com/books)

For those wanting to dig deeper, UT offers a blend of onsite and online courses including a capstone course where individuals get a chance to put the Vested theory in practice. Course content is designed to align to where you are in your journey ranging from Awareness to Mastery. For additional information, visit the University of Tennessee's website dedicated to the Vested business model at http://www.vestedway.com/ you can learn more about our Executive Education courses in the Certified Deal Architect program. You can also visit our research library and download case studies, white paper and resources. For more information, contact kvitasek@utk.edu.



* Prerequisites for ***Creating a Vested Agreement*** class are:

Five Rules, ***Is Vested Right?***, ***Getting Ready***, and the ***Vested 3-Day Executive Education Course*** **OR** Be working with a **Vested Center of Excellence**

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ABOUT THE AUTHOR

Kate Vitasek is one of the world's authorities on highly collaborative win-win relationships for her award-winning research and Vested® business model. Author of seven books and a faculty member for the University of Tennessee's Graduate and Executive Education program, she has been lauded by *World Trade Magazine* as one of the "Fabulous 50+1" most influential people affecting global commerce. Vitasek is a contributor for Forbes magazine and has been featured on CNN International, Bloomberg, NPR and Fox Business News

ENDNOTES

[1] The Compatibility and Trust Assessment® (CaT) can be embedded into a Deal Review or used as a standalone assessment. The CaT Assessment is an excellent tool to evaluate the compatibility and trust levels between a buyer and supplier. It's also ideal for new relationships and an excellent way to build cognitive awareness of compatibility and trust levels. Many companies request a quarterly or bi-annual CaT analysis as a way to make sure they continue to be aware of any gaps that might erode trust in their business relationships. For more information see the Vestedway website at http://www.vestedway.com/compatibility-and-trust-assessment/

[2] Kate Vitasek, James Groton and Daniel Bumblauskas, "Unpacking the Standing Neutral: A Cost Effective and Common Sense Approach for Preventing Conflict," (White Paper) *University of Tennessee*, 2020. Free download available from the UT library at https://www.vestedway.com/vested-library/