



# **VESTED®** For Success Case Study

## ***Newfoundland-Labrador Health Services & Compass***

Driving Innovations That Are Adding Real Value

A Report Authored By:

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## Table of Contents

EXECUTIVE SUMMARY .....	2
PART 1: BACKGROUND.....	3
PART 2: LAYING THE FOUNDATION.....	4
Learning – Together .....	6
PART 3: REQUEST FOR PARTNER.....	7
Request for Partner Timeline .....	7
Phase 1 – Supplier Qualifications .....	8
Phase 2 – Request for Partner .....	8
Phase 3 – Vested Definition/Due Diligence .....	10
PART 4: CREATING A VESTED AGREEMENT .....	11
Finalizing the Deal Architect Team .....	11
Ramping Up on Training.....	12
Drafting the Agreement .....	12
Rule 1: Outcome-Based Business Model.....	12
Rule 2: Focus on the What, not the How.....	14
Rule 3: Clearly Defined and Measurable Desired Outcomes.....	16
Rule 4: Pricing Model with Incentives that Optimize the Business.....	17
Rule 5: Insight vs. Oversight Governance .....	18
Finalizing the Agreement .....	20
PART 5: LIVING INTO THE AGREEMENT .....	22
Physical Transition .....	22
Onboarding .....	22
Fostering Trust By Living Into Intentions.....	24
Transformation Projects .....	25
Improved Safety Processes .....	25
Better Staffing.....	26
Healthier Communities with Teaching Kitchens .....	27
Using Scale .....	27
Embracing Contracting Flexibility.....	27
PART 6: THE EVOLUTION.....	28
PART 7: VESTED FOR SUCCESS.....	30
CONCLUSION AND ADVICE FOR OTHERS .....	33
APPENDIX: Additional Request for Partner Workshop Information .....	35
Workshop 1 .....	35
Workshop 2 .....	36
Workshop 3 .....	37
ACKNOWLEDGMENTS.....	38
ABOUT THE AUTHOR .....	38
FOR MORE INFORMATION.....	39



## EXECUTIVE SUMMARY

Ron Johnson – Chief Operating Officer and Vice President of Innovation and Research at Newfoundland and Labrador Health Services – is passionate about innovation. In fact, helping NLHS innovate is actually part of his job description. One of the areas needing innovation was support services – which encompasses a vast scope including patient/resident food, retail food, environmental services/housekeeping, laundry, portering and call center services.

This case study shares the journey of how Eastern Health Authority (now integrated as part of part of Newfoundland and Labrador Health Services – or NLHS for short) turned to an innovative approach for outsourcing known as Vested outsourcing.<sup>1</sup>

Johnson is amazed at how far NLHS has come. “Making the switch to a Vested business model has not only allowed us to innovate in *how* we outsource, but it is driving innovations that are adding real value to NLHS and the citizens of Canada every day.”

Johnson refers to the results NLHS has had with their strategic partner Compass Canada as the **power of and**: reducing cost – **and** – streamlining delivery and governance – **and** – improving user experience to record high levels. In addition, the parties have fostered a collaborative culture that is moving beyond short-term quick wins as they invest in the future of how support services operations are delivered and managed.

The case study consists of seven parts.

- Part 1 provides a brief **background**.
- Part 2 walks through how NLHS **laid the foundation** for change
- Part 3 shares how they selected their strategic partner with a **Request for Partner process**
- Part 4 goes into detail about how the parties put the Vested theory into practice by **creating a Vested agreement**
- Part 5 explains the transition of **living into the agreement**
- Part 6 shares **the evolution** how the parties have changed to embrace the dynamic change of business
- Part 7 summarizes **Vested for Success**, highlighting the results of shifting to a Vested business model

The case study concludes with NLHS’s advice for others thinking about making a shift to Vested for a strategic business relationship. We hope you find this case study an inspiration to see the art of the possible for forging highly collaborative strategic partnerships.

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<sup>1</sup> The pilot to implement Vested began in 2019 in Eastern Health Authority. In 2023 Eastern Health was integrated into a province-wide group known as Newfoundland and Labrador Health Services (NLHS). For ease of reading we use NLHS throughout this case study.



### PART 1: BACKGROUND

In 2019, Ron Johnson was the Vice President of Innovation and Rural Health for Eastern Health Authority (now part of Newfoundland and Labrador Health Services - NLHS). Johnson set out to challenge the status quo of how NLHS outsourced its support services.

NLHS is the largest integrated health network in Newfoundland and Labrador, Canada. NLHS serves a regional population of over 290,000 citizens.

To meet patient care, NLHS employs over 13,000 health care and support services professionals that provide a full continuum of health care services. Services range from community care facilities (e.g., primary care and long-term care) to advanced services such as acute hospital care, mental health, and rehabilitative services.

The services are not only vast, but the region in which NLHS operates is vast, extending from the most eastern parts of Canada to west as far as Port Blandford, and includes all communities on the Avalon, Burin and Bonavista Peninsulas. For perspective for non-Canadians, this is roughly the size of the state of California, and 22% larger than the UK and Ireland combined.

Getting an organization the size of NLHS to change is no easy feat. But to Johnson – whose job title includes the role of innovation – set out drive change how NLHS delivered and managed support services”.

“We had extensive experience in outsourcing and one of our largest spend areas is “support services,” explains Johnson.

In fact, NLHS had outsourced the management of its support services in the eastern and rural areas for over 10 years under a unique model where service providers managed support services operations which included managing over 1,000 mostly unionized government employees

Fraser Fry – NLHS’s Senior Director for Facilities and Support Services – puts the size and scale of support services into context. “Support services is a huge spend category that is both critical and extensive in nature – including patient/resident food, retail food, environmental services/housekeeping, laundry, portering and call center services.”

He adds, “In order to reduce its risk, we had a strategy to split support services work across two suppliers with one supplier managing the larger cities and a second supplier managing the rural areas.”

With the contracts coming to expiration, Johnson questioned if NLHS could be more efficient and effective in how they outsourced. Curious to see if there was a better way, he set out on mission to find a better way to bring innovation to what many would depict as labor heavy and often unskilled mundane jobs.



## PART 2: LAYING THE FOUNDATION

In search of a better way, Johnson set out to ask other Canadian healthcare executives if they had ideas for how he could bring innovation to NLHS's support services operations.

In fact, Johnson was not only frustrated with the lack of innovation, he was also frustrated with NLHS's two suppliers.

"We felt that with both suppliers, we were not getting the value out of the contract. In fact, I'd go so far as to say the relationship was strained with both our suppliers," shared Johnson. "So that got me thinking maybe the issue was not with the suppliers, but maybe with how we were outsourcing. I began to do some research on alternative service delivery models."

His quest led him to David Handley, Vice-President of Business Partnerships for Vancouver Coastal Health.

Handley shared how Vancouver Coastal Health (VCH) Authority had outsourced much of the same scope of work as NLHS and how they too faced many of the same challenges Johnson had seen.

Johnson was intrigued by what he learned from Handley: VCH made the shift to what is known as Vested Outsourcing (or Vested for short) with success.<sup>2</sup> But VCH was not the only one using Vested to rethink how they worked with strategic business partners. Island Health Authority also had amazing results in making the shift to Vested in how they worked with their Hospitalist.

Johnson's interests were piqued. He recruited Ken Baird, NLHS's Vice President, Clinical Support, to make the trip to Knoxville with him to take the University of Tennessee's (UT) Vested Collaborative Contracting course.

Johnson and Baird's hunch after leaving UT? For NLHS to leverage the full potential of outsourced support services, NLHS would need to shift up the sourcing continuum – and the Vested business model was likely a good fit. (see **Figure 1** on the following page)

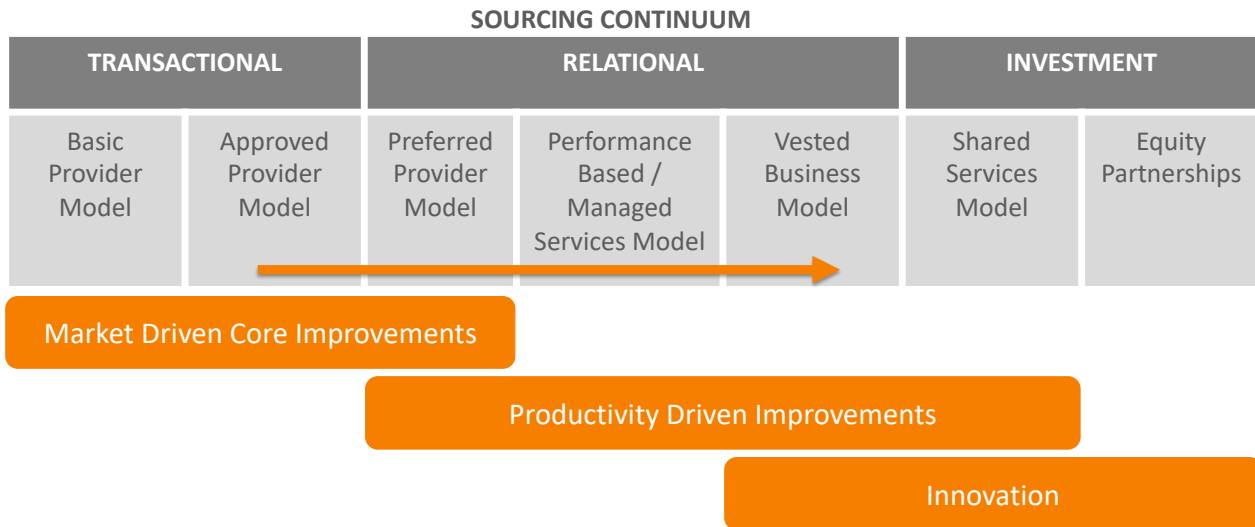
The Vested business model combines a formal relational contract with an outcome-based economic model which – when properly implemented – creates a highly collaborative relationship where the buyer and service provider are incentivized to collaborate to drive innovation. Together the parties are *vested* in each other's success as they strive to create value beyond what a traditional transactional contract yields.

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<sup>2</sup> The complete VCH case study is available in the Creative Commons and is available for download at [www.vestedway.com](http://www.vestedway.com)



**Figure 1: Sourcing Business Model Continuum**



Johnson and Baird faced a big challenge. Making the shift to a Vested business model would mean a significant change in how NLHS operated. As organizations make the shift from commodity-focused “buy” sourcing business models to a Vested model, they foundationally shift their approach to outsourcing by:

- Transitioning away from transaction-based sourcing business models to an outcome-based agreement
- Using more collaborative and transparent approaches during – and after - the bid process
- Emphasizing buying “solutions” vs. “technical specifications”
- Shifting from a ‘vendor’ mentality to a ‘strategic partnership’ mentality with a focus on longer-term, flexible, “win-win” deal structures versus as a simple supplier relationship
- Considering the service providers’ “cultural fit” in addition to capabilities

This would mean significant change for NLHS. Johnson and Baird’s first challenge? Getting key stakeholder – and suppliers – to buy into an approach that most would think of a paradigm shift.

One of the first stops was with procurement. Fortunately, getting procurement onboard was an easy sell. Fry shares he was already sold on alternative procurement approaches. “Traditional methods of contracting, which we still do use for some of our contracts, don’t give us the full value. So I was very supportive of the Vested approach which offered a much more collaborative approach.”

Another stop? Getting key senior leaders on board. The idea? Bring the essential cross functional leaders to the University of Tennessee’s Vested Executive Education course for them to learn about Vested for themselves.

An interesting idea emerged during the key stakeholders’ discussion: invite the suppliers who would bid on the support services contract to come to Knoxville with the NLHS leaders to learn



about Vested. The timing was perfect because NLHS has already gone through a qualification phase to identify potential suppliers to participate in a subsequent bid process for the healthcare support services. Three suppliers (both incumbent suppliers and a third supplier that did not work with NLHS) decided to join NLHS to learn more about Vested with the NLHS senior leaders.

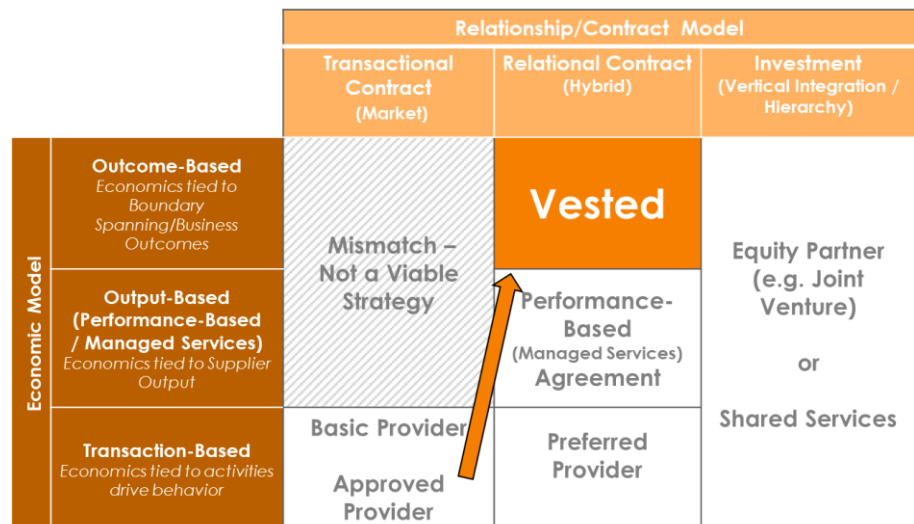
## Learning – Together

As part of the UT course the joint NLHS and supplier teams participated in learning about Vested – together.

A key part of the course is learning the theory of Vested and then participating in breakout sessions where teams take the concepts they learn and see how they will put them into practice. One of the concepts was Business Model Mapping – which helps teams determine which sourcing business model is the best fit for their situation. The joint NLHS and supplier team jointly went through a Business Model Mapping exercise.

**Figure 2: Sourcing Business Model Map**

The result? A relational contract would drive more transparency and collaboration and an outcome-based economic model would allow NLHS and their chosen service provider to better align interests on mutually defined business models. Combined – this pointed to a Vested sourcing business model.



(Figure 2).

“Doing the exercise with the suppliers there was a breakthrough in helping us think about our strategy”, shared Fry. “The business model mapping exercise helped NLHS validate their gut feel that a Vested business model would be a good fit. But it also validated that all three of the potential partners that would be going through the next phase of the bid process were also on board that Vested was a good fit.”

Upon the return from Knoxville, NLHS made the final decision to shift to a Vested business model.

Part 3 shares how they selected their strategic partner with a **Request for Partner process**.





## PART 3: REQUEST FOR PARTNER

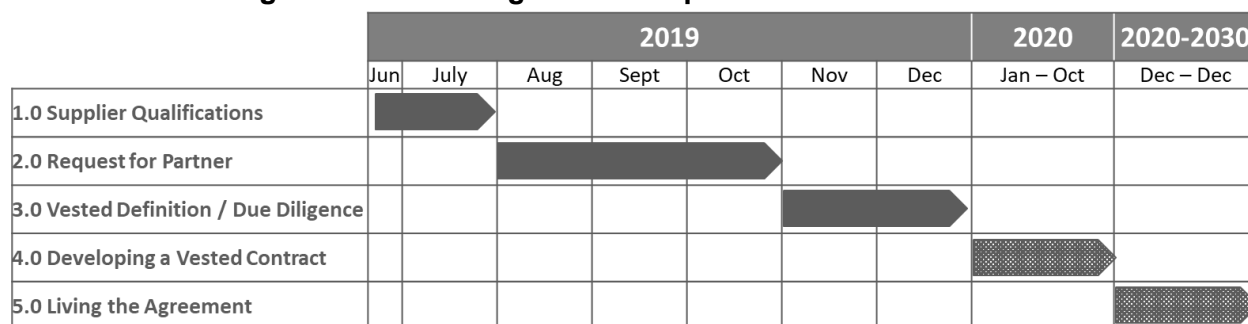
Fraser Fry was chartered to lead the NLHS Request for Partner (RFPartner) process to select NLHS's partner of choice.

The RFPartner process was developed by University of Tennessee researchers to help organization get to a Vested agreement using a bid process. A key difference in a traditional bid process and a RFPartner process is the collaborative nature of the bid process. In addition, an RFPartner process also focuses on shifting from picking a service provider to meet a given set of specifications at a price to selecting a partner with a combination of the best overall solution and cultural fit with the ability to collaborate on more strategic transformation initiatives.

### Request for Partner Timeline

The NLHS's RFPartner lasted 22 weeks (Phases 1-3). For a benchmark – the RFPartner process was fast compared to a NHLS's traditional two-stage procurement process which can take up to 36 - 48 weeks prior to a contract negotiation for a contract the size of this one. **Figure 3** shares the high-level timeline.

**Figure 3: NLHS's High-Level Request for Partner Timeline**



To get ready for the bid process, Fry assembled a cross-functional team that represented essential business stakeholders to provide input into the actual RFPartner bid document. Essential to the success of an RFPartner process is clearly defining the criteria for down-selecting service providers and ultimately selecting the partner of choice. A good RFPartner process includes pre-determined and transparent down-selection criteria with a few service provider finalist(s) asked to collaborate on a more comprehensive solution to meet the buying organization's strategic objectives as they move through the bid process.

In the case of NLHS, the process included two down-select phases. The first down-select was in Phase 1 – the **Supplier Qualification**. The second was in Phase 2 – the **Request for Partner** Phase.





## Phase 1 – Supplier Qualifications

NLHS bid process was similar to many bids for complex goods and service: there was a supplier qualification phase. The Supplier Qualification bid documents were issued on June 19<sup>th</sup> and suppliers had until August 1 to complete the qualification phase. A key goal was to down-select to only the highest qualified suppliers to move to Phase 2. NLHS's bid documents outlined the down-select and scoring criteria. (**Figure 4**)

**Figure 4: NLHS's Down-Select and Scoring Criteria**

Criterion	Available Score
Demonstration of ability to successfully and seamlessly transition contracted service delivery within large healthcare accounts serving multiple care environments (including Tertiary/Teaching Academic Centers, Acute Care General Hospitals, Long Term Care, Mental Health and Community Health Centers).	25
Demonstration of profitable retail food operations with profit sharing with client.	15
Demonstration of Service Innovation evidenced by enhanced performance metrics and/or quality outcomes.	25
Experience with Vested Contracting or similar approaches	15
References	20
<b>TOTAL POINTS AVAILABLE</b>	<b>100</b>

Both of NLHA's existing suppliers passed the down-selection process and moved to Phase 2 – the RFPartner phase.

## Phase 2 – Request for Partner

An RFPartner process differs significantly from conventional competitive bidding methods in that the buyer is seeking to collaboratively work with potential service providers to develop a solution aimed at best meeting the buying organization's strategic objectives. A key difference? The inclusion of "dialogues" with each of the service providers where the buyer and service provider team collaborative to define defining concept solutions and high-level alignment.

NLHS's RFPartner process included three dialogue workshops. **Figure 5** (the table on the next page) shares the purpose and high-level objectives for each of the workshops.

A second key difference between a conventional Request for Proposal and an RFPartner process is that an RFPartner formally incorporates relational contracting principles. A formal relational contract includes a formal Statement of Intent – including a Shared Vision and Guiding Principles which provide overarching social norms of how the parties will behave not only during the bid process – but also throughout the Contracting Phase and post-contract signing.

Social norms are the informal rules that govern behavior in groups and societies. In a formal relational contract, social norms are formally adopted as part of the contract with the goal to guide the parties' behaviors both during the contracting process and post contract signing. NLHS opted



to co-create the Guiding Principles in the first dialogue and the shared and Shared Vision in the second dialogue.

**Figure 5: Purpose and Objectives for Each Workshop**

	Workshop 1	Workshop 2	Workshop 3
Purpose	Enable parties to continue to align on a high-level concept solution.	Enable parties to further align on a high-level concept solution	Enable parties to further align on a high-level concept solution
Objectives	<ul style="list-style-type: none"> <li>Align the parties' values on transparency and what a trusting and compatible relationship looks like</li> <li>Discuss scope to gain a better understand. If NLHS cannot answer questions in the Dialogue, answers will be provided after the meeting.</li> <li>Development of the Guiding Principles</li> </ul>	<ul style="list-style-type: none"> <li>Co-creation of a Shared Vision (Shared Vision + Guiding Principles combined become the Statement of Intent for the relationship)</li> <li>Identification of "ponies" – the value of the difference between today's solution and a future solution</li> <li>Identify key differences between the current solution and proponents thinking on proposed solution.</li> </ul>	<ul style="list-style-type: none"> <li>Align on the Risk Mitigation Plan</li> <li>Share Concept Proposal and seek feedback</li> <li>Align on Guardrails</li> </ul>

See appendix 1 for a more detailed overview of each of the workshops.

**Figure 6: Evaluation Award Criteria**

A third key difference between a conventional Request for Proposal and a more collaborative RFPartner process is the latter formally incorporates "cultural fit" and "solution fit" into Award Criteria in the service provider selection process. **Figure 6** shares the NLHS's RFPartner evaluation Award criteria.

Criteria	Weight
Cultural Fit/Compatibility with NL Health. The workshops and a Compatibility and Trust® (CaT) assessment will be used.	35%
Vision on Statement of Intent/Desired Outcomes/Guiding Principles	35%
Vision on difference of current solution to proposed solution	20%
Risk Mitigation Plan/Guard Rails	5%
Vision for addressing guardrails for each Business Line	5%

NLHS's RFPartner criteria included five main buckets: cultural fit, the Statement of Intent, change from current practices, risk mitigation and applying the guardrails to the different lines of business. While the Award Criteria had only five categories, the detailed scoring included 36 criteria. An evaluation team would then grade each criterion using a formal scoring rubric, ranging from 0 (no response provided) to 10 (fully satisfies the requirement).



It is easy to see the Award Criteria shifts the focus from picking service providers that can deliver on specified requests with the lowest possible price to identifying a long-term partner to collaborate with NLHS in the pursuit of achieving strategic goals defined by the parties.

The dialogue workshops offered NHLS an excellent opportunity to evaluate each service provider to see how well they were a match with NLHS evaluation criteria.

### Phase 3 – Vested Definition/Due Diligence

The RFPartner phase concluded with the team shifting into doing due diligence and final selection of their preferred partner that would go into the contracting phase.

A typical due diligence process in a bid process consists of activities needed to make the final service provider selection. The activities vary by company requirements and spend category. However, general due diligence typically includes checking the service provider's claims on capabilities during the bid process. Due diligence also typically includes validating the winning service provider's quality or other business processes essential to perform the work, conducting reference checks, and reviewing the potential service provider's publicly available financial statement analyses (e.g., 10K reports in the U.S.).

The NLHS team prepared their recommendation to the Steering Committee which included selecting Compass as the partner of choice. Compass was carefully selected based on their ability to best meet the evaluation criteria identified.

Phase 3 concluded the last week in December of 2019 with Compass being notified as the successful partner. In addition, there was a structured service provider debrief / loss review with the service provider that did not win. The team provided the losing service provider with their individual score for each step of the journey along with feedback on the service provider's strengths and weaknesses throughout each step of the RFPartner process.

UT researchers interviewed both suppliers as part of their research. Both suppliers loved the collaborative bid process and felt selecting the winning supplier with a combination of best value and cultural fit was a superior way to run a bid process. The losing supplier did not protest – something that is common in large public procurement outsourcing tenders.

Once due diligence was complete, NLHS and Compass entered into Phase 4 where they will collaboratively develop their Vested Agreement.

The contract development phase (phase 4) was considered an extension of the overall bid process where the Deal Architect team built on the foundational work established in the RFPartner dialogue workshops.

Part 4 on the following page goes into detail about how the parties created their Vested agreement.

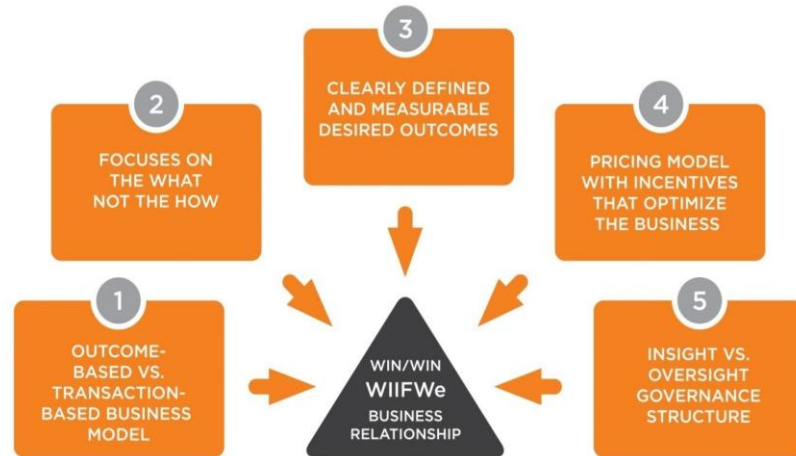


## PART 4: CREATING A VESTED AGREEMENT

A Vested agreement creates a self-correcting system where Five “Rules” create positive tension on the parties to collaborate on mutually defined Desired Outcomes. A properly structured Vested agreement is a win-win contract – where a win for the supplier is a win for the buyer – and vice versa.

**Figure 7: The Five Rules of Vested**

The Vested business model is based on Five Rules<sup>3</sup> as illustrated in **Figure 7**. When applied, the Vested Five Rules foster an environment that sparks innovation, resulting in improved service, reduced costs and value that didn’t exist before — for both parties.



### Finalizing the Deal Architect Team

The first order of business was to finalize the core “Deal Architect Team” that would put in the hard work to create the commercial agreement between the two companies. Recall from Part 3 that a key difference between a RFPartner process and a conventional competitive bid process is an RFPartner process purposefully creates a joint Deal Architect team, with a large percentage (often over 50% of the team members) who “stay behind” as during the contracting phase (Phase 4) and ongoing transition (Phase 5). This avoids a “throw it over the fence” mentality all too common where the focus is on the deal – not on creating a sustainable solution and relationship.

Joanne Whalen was NLHS’s Strategic Human Resources Business Partner at the time and was excited when she was asked to lead the Deal Architect team for NLHS. “I was at a point in time in my role where I was actually looking for opportunity to leave and to move on because I didn’t feel that I was being used to my potential in the role that I was in. Being part of the Vested journey to transform how we thought about outsourcing has been one of the highlights of my career.”

One of the interesting aspects about the NLHS and Compass relationship is that Compass was not new to Vested. In fact, UT has a case study featuring Vancouver Coastal Health and Compass. Compass had three team members who had also graduated from UT’s Certified Deal Architect program.

<sup>3</sup> Kate Vitasek, Mike Ledyard and Karl Manrodt, *Vested Outsourcing: Five Rules that Transform Outsourcing* (Palgrave Macmillan, first edition in 2010).



One of those team members was Kremena Daskalova. Daskalova had previously worked for Vancouver Coastal Health on the buy-side when they went down the Vested path. But Daskalova had relocated to the east coast of Canada where she joined Compass as Director, EVS Centre of Excellence

After Compass was selected as the partner of choice to enter the contracting phase, NLHS and Compass both decided that Daskalova would be the project lead for the parties as they went through each of the Five Rules to create their Vested agreement. While Daskalova was not a neutral coach, NLHS team members were confident in her excellent knowledge of Vested and her facilitation skills.

In addition, as Regional Vice President for Compass, Leta Hill had worked on the Vancouver Coastal Health contract. She reflects, “I can definitely say doing a Vested agreement the second time around is so much easier.”

### Ramping Up on Training

With the Deal Architect Team in place, the team got down to business. A key first step was getting team members enrolled in the University of Tennessee’s *Creating a Vested Agreement* online course.

A key part of the Vested methodology is integrated “learning and doing”. As part of the course, the Deal Architect Team members worked through micro-learning modules (20 minutes or less) where they learn key concepts and tools to assist them in creating their agreement. Team members then attended workshops where they put the concepts into practice.

Daskalova comments on why integrated learning and doing is so powerful. “The time the team spends upfront in the training and workshops – while not immediately apparent – is part of the magic of the Vested methodology. The process of having team members do the work is brilliant because the people who build the contract are the ones who will deliver it. The buy-in and accountability bring benefits that far outweigh the investment.”

The Deal Architect workshops were scheduled into the project plan with the order of workshops flowing to the Five Rules. For example, in Rule 1 workshops, the joint team created the Shared Vision for the partnership and defined the outcomes while in Rule 4 workshops the team developed the pricing model.

The rest of Part 4 highlights how NLHS and Compass followed the Vested rules.

### Drafting the Agreement

#### **Rule 1: Outcome-Based Business Model**

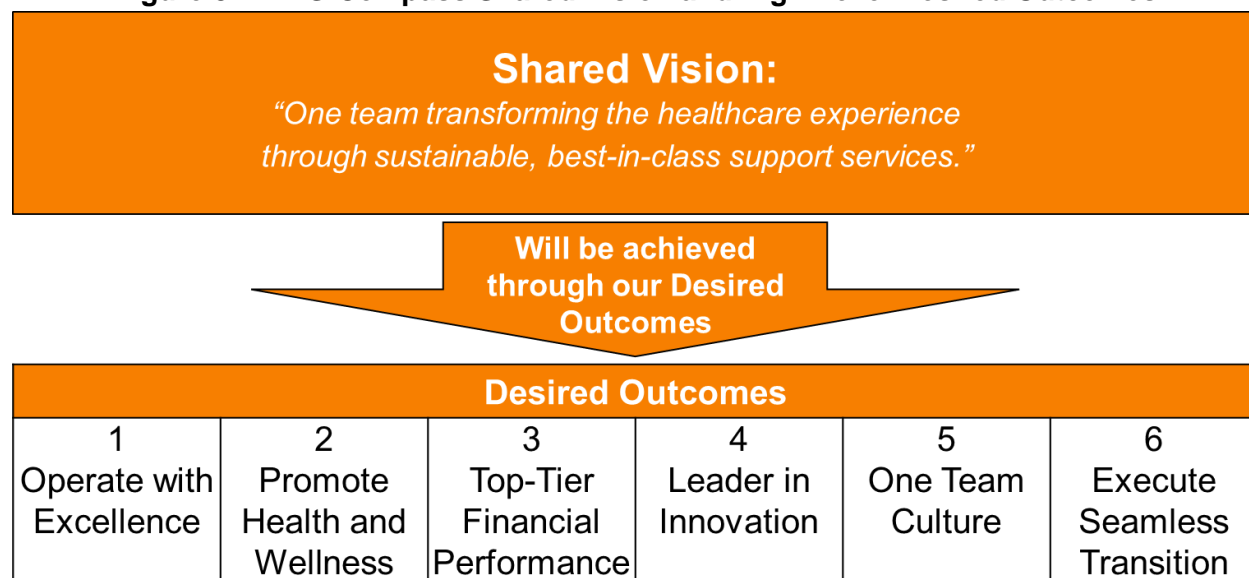
Rule 1 of Vested is where the parties shift from focusing on transactions to one that focuses on mutually defined Desired Outcomes. This would mean NLHS and Compass would need to flip



their existing relationship on its head as they set out to define the future of what they wanted from the partnership.

Recall from the RFPartner dialogue workshops the parties started to think through this. During Rule 1 the parties finalized what is referred to as their Statement of Intent. The Statement of Intent includes a formal Shared Vision and High-Level Desired Outcomes (**Figure 8**)

**Figure 8: NLHS-Compass Shared Vision and High-Level Desired Outcomes**



In addition, a Statement of Intent includes Guiding Principles. Recall that Guiding Principles were developed as part of the first dialogue workshop during the RFPartner process. The team started reviewing the draft of Guiding Principles (Honesty, Loyalty, Integrity, Equity, Reciprocity and Autonomy) and ultimately finalized them. Below are the Guiding Principles that NLHS and Compass co-created – which are embedded into their contract.

<b>Honesty</b>	As one team we commit to being transparent, forthcoming & truthful in a timely manner; having genuine, evidence-informed conversations, presenting the facts with pros & cons.
<b>Loyalty</b>	We will treat each other’s interest as equally important & commit to each other’s success. We will act as one team to deliver the desired outcomes for the residents, patients, staff and community we serve.
<b>Integrity</b>	Our actions & decisions will be consistent over time & aligned with our shared vision & guiding principles. We will follow through on our word. We will be accountable for our decisions and actions.
<b>Equity</b>	We recognize that not all situations or decisions will be equal in value, risk or investment; however, we commit to share results fairly & proportionally.
<b>Reciprocity</b>	We will strive to make fair & balanced requests for the benefit of the relationship. We commit to invest time & resources to achieve our shared vision and desired outcomes.
<b>Autonomy</b>	As one team we strive to be self-governing. Neither party will use authority or one’s self interest to influence decisions. We will respect each other’s strengths & expertise.





The Guiding Principles are a cornerstone of the relationship—and contract—providing guidance for behavior throughout the entire life of the business relationship. The Guiding Principles would not only guide the parties during the contracting phase but also laid the foundation for the ongoing governance and management of the relationship after the contract was signed.

The entire Statement of Intent was formally adopted into the parties' contract—anchoring the relationship as a formal relational contract.<sup>4</sup> Section 3 of the agreement illustrates the importance of the Statement of Intent – setting the tone for the relationship.

*The parties will work together in good faith to achieve the transformational business solutions that are mutually beneficial to the parties and will endeavor to abide by the Statement of Intent in all dealings during the Term of this Agreement. To achieve their Shared Vision and Desired Outcomes, the parties agree to a highly collaborative relational contract founded on the Guiding Principles with a commitment to drive collaborative behaviors. The jointly agreed upon Shared Vision, Desired Outcomes, Guiding Principles and Intended Behaviours are set out below.*

**Rule 2: Focus on the What, not the How**

Rule 2 is where the parties agree on the overall “what,” making key decisions and commitments around the scope and responsibilities for the partnership. The scope was vast with support services being provided across 32 facilities in 14 different cities in Newfoundland and Labrador, Canada.

A key part of scoping the relationship was to create what is known as the Taxonomy and Workload Allocation in the Vested methodology. The Taxonomy is an end-to-end inventory of the work needed to be done to achieve the Shared Vision within the scope of the partnership. Services encompassed a vast scope including patient/resident food, retail food, environmental services/housekeeping, laundry, portering and call center services.

With the high-level taxonomy complete, the Deal Architect Team went on to have smaller functional-focused teams work through a Workload Allocation to define who would do what (see **Figure 9** on the next page for an excerpt of the Workload Allocation for the comprehensive acute care program scope of work).

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<sup>4</sup> For a complete discussion of the Guiding Principles/social norms, see *Contracting in the New Economy: Using Relational Contracts to Boost Trust and Collaboration in Strategic Business Relationships*, by David Frydinger, Kate Vitasek, Jim Bergman and Tim Cummins





Figure 9: Example Excerpt Taxonomy/Workload Allocation

Housekeeping Services Example						
Process Level 1	Process Level 2	Process Level 3	Accountability		Opportunity to Change Existing Process	Exceptions
			NL Health	Compass		
1. Comprehensive cleaning Acute Care program	1.1. Operating Rooms (OR) cleaning			YES	YES	HSC Labor & Delivery OR rooms
	1.2. Regular Discharge Room Cleaning			YES		
	1.3. Isolation/ Precaution Cleans - Patient Room Cleaning			YES	YES	Refer to Orphan Item project
	1.4. Routine Cleaning of all spaces			YES		Mechanical Room space (to be confirmed as part of sq meters review project)
	1.5. Enhanced Cleaning					
		1.5.1. Requests and approval of requests to perform Enhanced cleaning	YES			
		1.5.2. Execute enhanced cleaning		YES		
	1.6. Patient Room Furniture			YES		
	1.7. Orphan Items		YES		YES	
	1.8. Linen Handling				YES	
		1.8.1. Stripping of beds	YES		YES	Compass at HSC and LTC in Rural
		1.8.2. Removal from patient room to a soiled utility room	YES			Compass at HSC
		1.8.3. Moving linen from Soiled Utility to a pick-up location for Central Laundry		YES		
		1.8.4. Making of beds after discharge		YES		
	1.9. Grounds around buildings and parking lots		YES		YES	









Completing these two key deliverables differed greatly from the traditional approach of doing a “statement of work” because it is both bilateral and it does not go into detail on telling the supplier “how” to do the work. The rationale is simple. First, if a buying organization tells the supplier how to do the work, they are in essence putting handcuffs on the supplier and buying the status quo – something NL Health desperately did not want to do. Second, having an end-to-end bilateral view of the work helped NL Health see that their role was not to manage Compass, but rather to support them. The Workload Allocation clearly showed these roles under the “accountability” column as shown in **Figure 9**.

### Rule 3: Clearly Defined and Measurable Desired Outcomes

The goal of Rule 3 – *Clearly Defined and Measurable Desired Outcomes* – is to help teams determine how they will measure and monitor their success. The Vested methodology uses a tool known as a Requirements Roadmap which links measures to each of the mutually agreed Desired Outcomes.

**Figure 10** illustrates how the Deal Architect aligned more detailed strategic objectives and key performance indicators (KPIs) to the Desired Outcomes.

**Figure 10: Desired Outcomes & Objectives – Year 1**

Shared Vision	Desired Outcomes	Objectives
One team transforming the healthcare experience through sustainable, best-in-class support services.	 1 Top-Tier Financial Performance	Maintain annual costs within agreed budgets
		Reduce Total Cost of Ownership (TCO)
	 2 Operate with Excellence	Improve patient/resident, family, staff & visitors experience with support services
		Enhance service quality
		Design and implement one overarching safety program
		Develop and execute a sustainable joint recruitment & retention strategy
	 3 One Team Culture	Reduce our environmental footprint
		Implement a healthier workplace
	 4 Promote Health and Wellness	Implement and live in a Vested Culture
		Contribute to the overall health and wellness of staff, patients, residents and visitors
		Promote health and wellness in the community
	 5 Leader in Innovation	Develop and implement a “buy local” strategy
		Improve patient/ resident care and population health through innovation
	 6 Execute Seamless Transition	Stakeholder satisfaction with seamless transition in rural areas
		Maintain service quality at urban sites



A heavy emphasis in Year 1 was on transitioning all sites to the new agreement – including achieving immediate satisfaction in those sites. By focusing on the satisfaction of both patients and staff, it was felt that the initial cost benefits would then manifest themselves in the improved efficiencies gained by the partnership.

### ***Rule 4: Pricing Model with Incentives that Optimize the Business***

In conventional outsourcing, companies purchase services for a transactional fee (cost per hour, per unit, per shipment, per pallet storage, etc.). In a Vested partnership, a buyer and service provider jointly develop a pricing model with incentives that rewards the service provider when mutually defined Desired Outcomes are achieved. In short, the service provider is *vested* in the buyer's success – and vice versa.

Co-creating a pricing model is typically the hardest part of creating a Vested agreement – and this was no exception for the NLHS and Compass Deal Architect Team.

Key features of the pricing model include:

- *Fully transparent “cost-is-the-cost” mantra* – Full transparency enabled the parties to identify the true cost drivers for both organizations and to create a model that incentivizes Compass to drive down cost and reward Compass for achieving non-cost-related Desired Outcomes such as helping bp achieve its zero-emissions goal.
- *Including both monetary and non-monetary incentives* – such as contract extensions, recognition/reference cases and expanded scope as non-monetary incentives.
- *A focus on Total Cost of Ownership* – enabling the parties to collaborate on cost drivers to unlock value beyond Compass' price.

Scott Bishop – Vice President of Corporate Services and Chief Financial Officer for NLHS – reflects on the power a transparent approach brought to the relationships. “We're under true transparency which allowed us to create a win-win pricing model that worked for both sides of the partnership.

Team members share that the shift to being fully transparent was a game changer.

Bishop reflects, “The transparent approach to Vested allowed both NLHS and Compass to see the complete financial perspective of the partnership. For NLHS we could unpack the cost drivers at Compass. We got to see that Compass was not trying to take advantage of us to create more profit for themselves. But it also allowed Compass to unpack NLHS's internal cost drivers which helped make the shift from focus on price to collaborating in cost drivers which would reduce our TCO (total cost of ownership).”

For Greg Bayne, Regional Vice President for Compass, the transparency increased trust. “Prior to Vested there were trust issues around how we were billing and what we were billing because there wasn't full transparency. But having complete transparency and open books eliminates



those questions which is absolutely fantastic. It is so well received by the audit teams which creates a higher level of trust and confidence because nothing's hidden.”

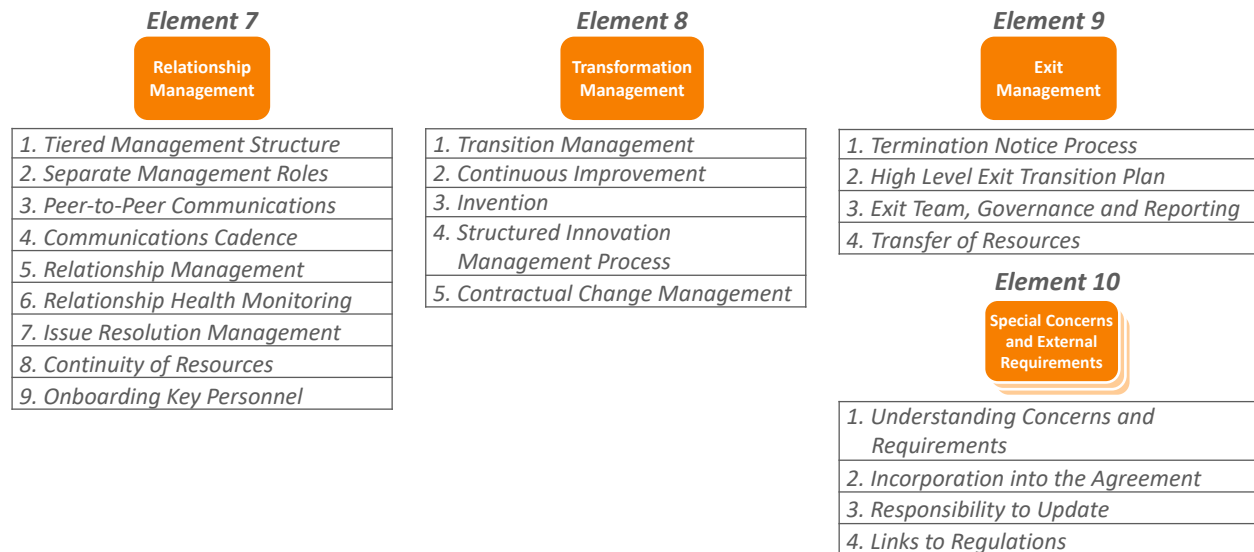
Heather Wilkie, EVP of Business Transformation, Compass Group Canada, shares the transparency and focus on TCO allowed Compass to “providing insight that we had never provided to any client before.”

Both Bayne and Wilkie admit that making the decision to be fully transparency did come with a challenge in that it required approval from Compass’s CFO, legal and country president. But they agree the effort to get the buy-in to be fully transparent was worth the effort.

### **Rule 5: Insight vs. Oversight Governance**

Rule 5 – *Insight versus Oversight Governance Structure* – is where the parties design the governance mechanisms to keep in continual alignment when “business happens.” Think of it this way: if the Shared Vision and Desired Outcomes are the beacons of the relationship, governance provides the structure and mechanisms for the parties to stop and redirect their efforts when detours occur. The governance framework spans four of the Vested elements (Relationship Management, Transformation Management, Exit Management and Compliance against special concerns and external regulations) and includes 22 design principles (**Figure 11**).

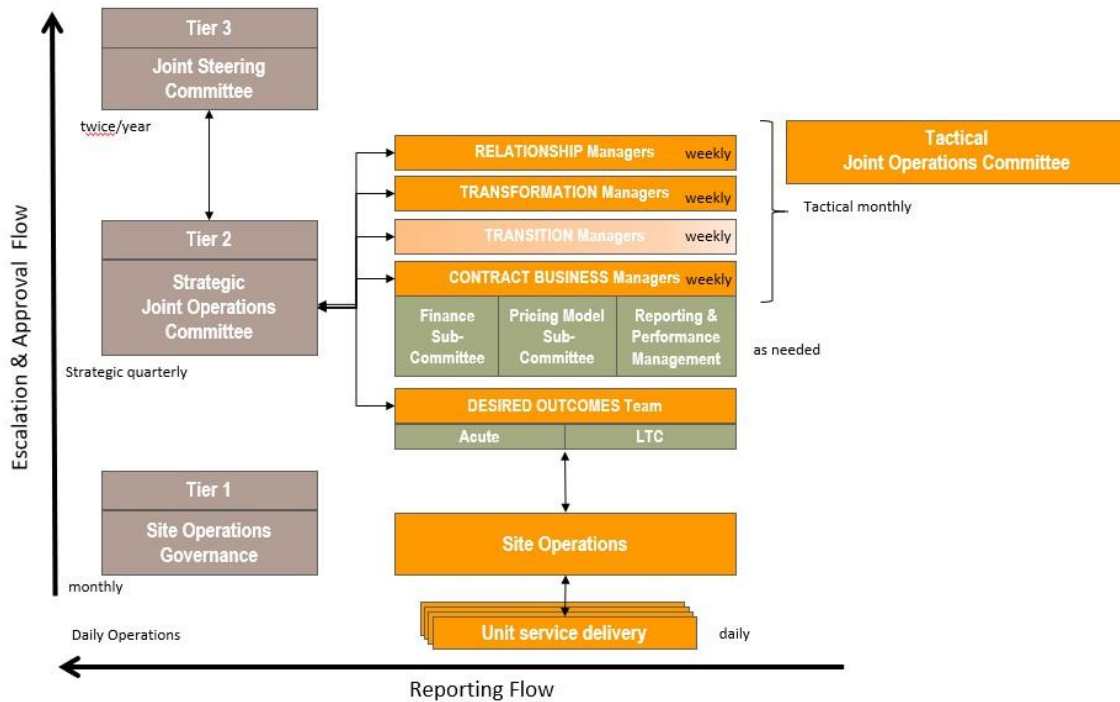
**Figure 11: Design Principles for Rule 5 - Insight vs Oversight Governance**



Each of the design principles were operationalized into the agreement as the parties documented their governance protocols. For example, under Element 7 (Relationship Management) Design Principle #1 (Tiered Management Structure) the parties used a three-tier governance structure with an executive level joint Steering Committee, a Strategic Joint Operations Committee and Site Operations Governance level that was more tactical in nature. (see **Figure 12** on the next page)



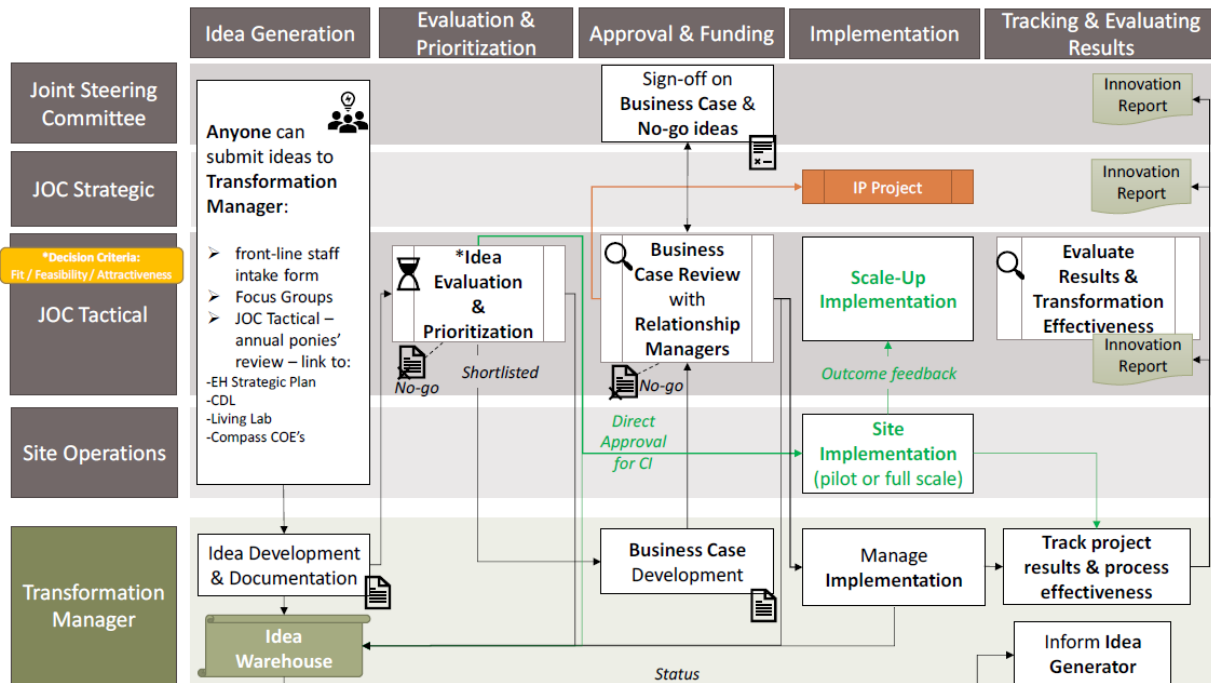
Figure 12: Three-Tiered Governance Structure



The parties also agreed how they would establish peer-to-peer communication protocols. For example, the agreement calls for key personnel who work together in a “2-in-a-Box” manner on key aspects of the agreement. Take for example the role of managing the economics of the agreement. This role fell on Brenda Rose for NLHS and Matt Leich for Compass who held the roles of Commercial Managers for the relationship. Together, Rose and Leich are chartered to manage and maintain the commercial aspects of the partnership.

Let’s also look at Element 8 – Transformation Management. Transformation Management includes how the parties will collaborate to identify, approve and implement continuous improvement and larger initiatives to drive improvement toward the Desired Outcomes. **Figure 13** (on the next page) shows the Transformation Management Process used by the team to identify and implement transformation initiatives.

### Figure 13: Transformation Management Process



People not familiar with Vested often look at the governance and think it seems 'heavy'. But NLHS's Bishop sees it more as an investment in their success. "In terms of overall cost relative to the contract spend, our governance is not that costly. But these costs are also offset by the value we create. For example, we've embedded a financial sustainability outcome in our Requirements Roadmap which helps us keep a clear line of sight on our budget and on our total cost of ownership."

In fact, Bishop shares “The governance of the partnership is really where the magic is. It isn't just the design of the contract, but the maintenance of the contract and the maintenance of the partnership.”

Ron Johnson is impressed with how the governance helps keep the parties get on the same page as business needs have changed. “What happens with normal contracts is that it easy for the parties’ drift. What I find with Vested is the governance mechanisms – the cadences, the tools – keep us aligned and keep us from drifting.”

## Finalizing the Agreement

A key part of the Vested methodology is to draft the contract at the same time the “rules” are being written. In practice this means when a team has finalized a “rule” it is then documented in the parties’ formal contract. To do this the team created a legal workstream with a subset of the Deal Architect Team. The team also included the legal representatives of each organization.



Team members admit one of the things that helped the contracting come together so easily was the fact that lawyers from both parties were on the team right from the start.

In the end the parties created a 209-page contract that aligns the parties in a true win-win contract. Compass's Bayne reflects. "There's nothing boilerplate about it. It's very tailored to our partnership and it solidifies our relationship by aligning the contract with the strategic intent of the partnership – something that virtually never happens in an outsourcing agreement."

Whalen explains the logic of the contract structure. "The Vested methodology is similar to building a LEGO. You build it little by little one Rule at a time. The structure of how the Vested methodology works is brilliant because little by little we began working together better and with each brick we were making a real shift in how we worked in terms of communication, the conversations, the information that was being shared. The whole experience was amazing."

While Rule 1 and the Statement of Intent are embedded into the overall Master Agreement, the remaining Rules/Contractual Elements and design principles are manifested in individual contract schedules. For example, Rule 4 is reflected in Schedule H of the agreement – Pricing Model with Incentives.

Kerry Hatfield, In-house Legal Counsel for NLHS, represented NLHS from a legal perspective and appreciated the modular approach to building the contract. "The team took off some of the big chunks that represented the business components in the schedules. This allowed me to focused on the chunks that were the most important to me which made the contracting process manageable for me."

NLHS and Compass signed their agreement on Dec 21, 2020.

Hatfield chuckles when she thinks about the time spent on things that NLHS typically never includes in a contract. "I never spent that much paper on governance models, but if you really believed in what Vested was trying to do, it needed to be built in." She adds, "But the time spent is well worth it. This is one of the best performing contracts NLHS has the governance process works well. I never get drug into little things like I did in the past."





## PART 5: LIVING INTO THE AGREEMENT

With the contract inked, the next step was to shift into deployment. The deployment consisted of the physical transition of the additional rural scope and work processes under Compass and the onboarding of team members on the new Vested Way of working.

### Physical Transition

One of the key flaws in existing bidding methods is a “throw it over the wall” mentality. For more commodity-focused deals that are not complex, “living in the agreement” is usually simple: suppliers perform to the spec outlined in the contract. However, in complex and highly integrated sourcing initiatives (e.g., such as a complex outsourcing effort where the service provider is providing integrated services within the buying organization), this is myopic. Preventing the “throw it over the wall” mistake is why the RFPartner process includes Phase 5, which focuses not only on the physical transition of work to ramp up the service provider, but also ramping up on how to “live into the agreement.” This means fully embracing Vested’s “What’s-in-it-for-We” mindset and adopting insight versus oversight relational governance mechanisms.

NLHS wanted a smooth transition. In fact, it was so important the parties created a Desired Outcome with two KPIs related to a seamless transition.

The transition would include a huge amount of physical transition from the supplier that had managed the rural locations. The physical transition would mean transferring the scope of work from the incumbent supplier. No small feat considering that prior to the Vested agreement Compass only managed the urban locations. Both parties went into the transition with eyes wide open with the magnitude of work and with a mindset to continue the solid relationship build during the RFPartner process.

Bayne explains, “One of the things we had to do was help team members understand the differences between how we were operating currently with how we wanted to operate. There were lots of face-to-face meetings and lots of spending time at the various locations supporting team members through the physical transition.”

For example, getting use to new tools and new processes such as the pricing model. Johnson explains. “We had to change the way we paid Compass with the new pricing model. For example, we needed to put in the processes to triggering payments from that comes innovation. This seems easy – but it was new for us.”

### Onboarding

Physical ramp-up was only one part of the transition. Equally important was ramping up team members throughout both organizations with the Vested What’s-in-it-for-We mindset. To handle this challenge, NLHS and Compass included extensive onboarding criteria in the contract.



Onboarding meant ramping up over 1000 people that were not on the Deal Architect Team to the Vested mindset and the new rules of working. The onboarding plan included four main target groups (Tiers) to onboard as shown in **Figure 14**.

**Figure 14 – Onboarding Plan**

Level	Role	Onboarding Playbook (SOI, scope, what is different)	In-Person/ Webinar: Role Specific Training	Agreement Deliverables	Vested® Five Rules	Vested® Onsite Courses (5 days)
<b>Tier 4</b>	Leaders	X				
	Key account staff	X				
	On-site/associates	X				
	Executives	X				
<b>Tier 3</b>	Joint Steering Committee	X	X			
<b>Tier 2</b>	Relationship Managers	X	X	X	X	X
	Transformation Managers	X	X	X	X	X (3 days) Compass only
	Transition Managers	X	X	X	X	
	Contract Business Managers	X	X	X	X	X
	Finance Subcommittee	X	X	X	X	
	Pricing Model Subcommittee	X	X	X	X	
	Reporting & Performance Management Subcommittee	X	X	X	X	
	Desired Outcomes Team	X	X	(Modified X)		
<b>Tier 1</b>	Site Operations Team	X	X	( Modified X)		
	Supervisors	X				
	Frontline Staff	X				

Bayne explains the behind the scenes work for onboarding. “We built Vested boards that were branded with “One Team” because we didn’t want there to be a difference between the cultures of NLHS and Compass. We wanted our shared vision of “One Team” to be operational at the individual team and site locations. To do this, incorporated our Statement of Intent and shared vision into the boards. Then, based on the group and area, we incorporated the appropriate objectives that we were working on and started bringing it front and center with short huddles. In the huddles we would bring forward ‘Vested partnership moments’ and talk about what the agreement is and what it means to team members and their roles. We wanted to get the concept of a What’s-in-it-for-We mindset into the DNA of our line level employees to impact how they worked day in and day out in their jobs.”



Part of onboarding included onboarding tours to the various sites and teams. This meant going into the smaller community hospitals and long-term care homes. Bayne continues: “We would go into each and every one of them as a senior leadership team and as operators, and we go through person orientation to answer questions directly.”

Whalen shares, “teaching people how to live into the agreement through the onboarding tours was one of my favorite parts of the process.”

Bayne believes a key success factor was doing the onboarding together. “It’s important to go together, because that is part of actually building that ongoing change and reinforcement.”

Bayne is quick to point out that onboarding was not just a once-and-done activity. As part of onboarding, the companies continue to invest in onboarding. For example, new team members attend the University of Tennessee executive education courses. “It’s important that new people are understanding the fundamental philosophies of Vested and how our agreement works to put the Vested theory into practice.”

### Fostering Trust By Living Into Intentions

A key part of rolling down the Vested Way of working is to ensure people understand the Statement of Intent. This means understanding the Shared Vision and Guiding Principles. Principles. Andrea Diamond – District Manager of Support Services – explains. “We start our meetings with reviewing our guiding principles. We usually try to take one or two guiding principles and share a real-life example of how it’s working in our organization and have team members reflect on how it applies to what they are doing.”

Diamond stresses the guiding principles are used at all levels in the organization which ultimately help the partners make better decisions and lead to a healthier relationship. She continues, “For example, when we need to have a difficult conversation or make a hard decision, it helps us reflect back and I say, you know, is this honest? Or am I being open? Am I communicating effectively and relaying the message I need to? Using the guiding principles really helps us reflecting back to make sure we are on the same page and living into our intentions.”

Bishop believes focusing on the shared vision and guiding principles helps the parties live as “One Team.” “The first words in our shared vision are ‘One Team’. And we truly function that way. There is no divide between, there is no us versus them mentality. The guiding principles are really front and center in the success of that. In fact, there’s a lot of folks in an NLHS who don’t know a Compass manager from an NLHS manager, it’s great that the lines are so blurred, which I think has been a major success factor for us.”

Wilkie likes how bringing the relational aspects of the contract to the forefront fosters a much healthier relationship. “I think there’s a real openness to talk about challenges and opportunities



inside the Vested contract, as well as outside of the Vested contract. There is a lot of trust. With traditional contracts, there is less trust which can slow things down.”

### Transformation Projects

A Vested agreement is intentionally designed to incentivize the supplier for driving Transformation Initiatives. In fact, it is so important the parties dedicate an entire schedule in the contract devoted to how they will identify, prioritize and implement transformation initiatives.

Recall NHLS’s Johnson set out on the Vested journey with the purpose to drive innovation. Johnson – now Chief Operating Officer and Vice President of Innovation and Research at Newfoundland and Labrador Health Services – shares Compass is heavily involved in driving innovation with NHLS.

Compass’ Hill agrees. “What I see is the agreement is an equal commitment to innovation. And that makes me really proud because I love innovation. Every single one of the Compass managers is always working on an innovation project in the partnership with their peer resulting in some really great initiatives.

In the Vested methodology, those transformation initiatives are called Ponies – because finding a Pony puts a smile on your face just like a little kid who gets to ride a Pony. We explore some of the Ponies below.

#### ***Improved Safety Processes***

Let’s explore one strategic objective – design and implement one overarching safety program which is measured by Lost Time Injury (LTI) rate.

An LTI is an injury or illness that results in an associate being unable to perform their regular work duties and requiring time off from work. It occurs when an injury or work-related illness is severe enough to prevent an associate from returning to their job for at least one scheduled workday or shift after the day of the incident.

The NLHS-Compass collaboration set out to overhaul the safety program which led to several key strategies. The results have been exceptional, with LIT’s reducing 35% reduction over a three-year period – with LTI’s per 100 workers reducing from 13.90 to 9.03.

While 35% sounds good, it is even more impressive when you think about what is behind the numbers. The prevalence of LTI’s in Canadian healthcare is alarmingly high. In 2021, there were over 1,200 lost-time injury claims filed by healthcare workers in Newfoundland and Labrador. This equated to a baseline of 13.90 injuries per 100 workers.

The high number of LTI’s reflect the high-risk nature of healthcare work. For example, musculoskeletal injuries (MSIs) – often caused from manual handling tasks such as lifting and transferring patients – accounted for approximately 50% of the workplace injuries. In addition,



violence and aggression from patients or residents in healthcare settings has become an increasing concern, particularly in emergency rooms and psychiatric wards.

The financial impact of these injuries is substantial, with millions of dollars in compensation paid out annually and additional indirect costs affecting productivity, staffing, and the overall efficiency of healthcare operations. According to WorkplaceNL, the average compensation per LTI claim in healthcare is around \$35,000 to \$50,000 depending on the severity of the injury. In addition, there are substantial indirect costs such as lost productivity, overtime for replacement staff, retraining, and administrative expenses which can be up to four times higher than direct costs. This means that for every LTI, the total cost to healthcare employers could be upwards of \$140,000 to \$200,000 per claim.

While reporting systems do not track indirect costs to LTIs, the cost reduction impact is huge when you consider the estimated average direct costs (\$35,000-\$50,000) and the indirect costs (\$140,000-\$200,000) per claim.

### ***Better Staffing***

One of the issues that had historically plagued NLHS was staff turnover. Much of the NLHS labor works under a union contract. Traditionally workers start as part time staff that work “on call” until they work their way up the ladder and earn a full-time position. The model – known as 24-7 availability staffing – means just that. Individuals sit around waiting for a call to work that day. But for many employees that would like the opportunity to eventually work for NLHS, having unpredictable work is not a good lifestyle. For example, they may already have a job that prevents them from working a certain shift – but would be more than willing to work a different shift or weekends. Or perhaps they can’t secure child-care on certain days of the week – but they’d be more than willing to work the days they knew they could get child care.

Whalen explains the impact. “The labor market is fairly tight – but our labor practices often didn’t work well for the best people. And when we didn’t have good quality applicants, it means we didn’t always get the best employees.”

Compass had a hunch. People would like to work more, but they needed the flexibility around when they worked. The idea was to collaborate with the union to explore an alternate to the 24 - 7 availability model. The solution was to allow employees to not what their preferences were for work and they would only get calls that aligned with their preferences.

Whalen was intrigued. “The 24 -7 availability worked 15 years ago, but it doesn't work anymore. So we were willing to give it a shot and pilot it to see if we could make it work.”

The idea was tested it in three different areas – one big large city and two rural areas.”

Whalen reports the results have been outstanding. “Employees are now able to have second jobs. Or if they don't want to work evenings because they have to be home to take their children, they can select not to work evenings. The result is a much more stable, consistent group of employees



who work when they want to work. And we don't have to administratively track them down and go through a labor relations process when they aren't available. It's been hugely successful – a win for us and a win for the employees.”

## ***Healthier Communities with Teaching Kitchens***

A key focus on NLHS is to enable healthier communities. The teaching kitchen idea was birthed during the pandemic. It included a dietitian and a chef who did virtual videos to help people learn healthy cooking habits.

An idea emerged to expand the teaching kitchen to target low-income families who are part of rural community centers. Natasha McDonald – District Manager of Patient Food Services for Compass – explains. “Everyone's struggling with the cost of living right now and it can be really stressful. The focus was teaching community members how to cook with simple ingredients that were easily found in a food bank. For example, we'd have recipes for things like dried beans and lentils that are shelf stable and typically inexpensive.”

## ***Using Scale***

A key benefit of the partnership is using the partners scale to roll out good ideas. For example, remember that staffing pilot? With a proven concept, OneTeam can create a sound business case and roll out good ideas to other locations. The result is that one good idea has the power to multiply.

## **Embracing Contracting Flexibility**

Business happens. And when it does it is important to be flexible. This is why a Vested agreement is designed as a flexible contract framework. In fact, Section 2.1 of the contract states right up front the intent of the agreement is to be a flexible contract framework.

### ***2.1. Flexible Contract Framework***

*(a) This Agreement is designed as a flexible contracting framework to embrace the dynamic nature of the business relationship. The Contract Change Management Process in SCHEDULE A (Contract Change Management Process) outlines the process to utilize in the event changes are required under this Agreement.*

*(b) This Agreement, and all of its attached Schedules, Exhibits and Appendices form the entire agreement between the parties.*

NLHS's Bishop sees the flexibility as a lifeline for success. “Traditional contracts sit on a shelf somewhere and every now and then when things don't go well, you look at the contract to see how you can move forward. But in Vested, the contract flexibility and governance of the contract has been a main lifeline for our success. We meet regularly and make decisions that are the most beneficial for the partnership.”

The flexibility has served NLHS and Compass well during the evolution of their relationship (see part 6 on the following page).



## PART 6: THE EVOLUTION

Vested is – by design – a flexible contract framework designed to flex to the changing business needs.

For example, one of the original Desired Outcomes was to “Execute a Seamless Transition”. When the transition was completed the parties could cross this Desired Outcome off their list. But replacing Execute a Seamless Transition was only one of the things that needed to be addressed.

NLHS also experienced massive change that would cause the parties to proactively reflect and refresh their agreement. The biggest change? The NL provincial government announced a sweeping change to “amalgamate” four of eastern Canada’s NL health authorities into one in 2022.

When the contract was signed it was with Eastern Health – not NLHS. However the new mandate amalgamated Eastern Health with three other health authorities – Central Health, Labrador and Grenfell Health and Western Health, and the Newfoundland and Labrador Centre for Health Information. Combined these groups would become what is now Newfoundland Labrador Health Services.

A key goal of the amalgamation was to integrate and streamline provincial programs and services to become more efficient and effective in the delivery of health services across the region.






In 2023 – just three years after signing their agreement – the parties set out to refresh their agreement to align with new priorities. **Figure 15** shows the Desired Outcomes, Strategic Objectives and KPIs with changed noted in **bold orange**. For example, the **Execute Seamless Transition** Desired Outcomes was removed and parties increase their emphasis around Transformation with a goal to drive costs down through transformation initiatives (Desired Outcome #5 – Leader in Innovation).

NLHS’s Johnson credits the Vested methodology with keeping NLHS and Compass aligned. “The Vested methodology forces us to focus on both the contract and the relationship all the time.”





Figure 15 – Revised Requirements Roadmap

Desired Outcomes	Objectives	KPIs
 <b>1 Top-Tier Financial Performance</b>	Maintain annual costs within agreed budgets	Operational Indicators
	Reduce Total Cost of Ownership (TCO)	TCO YTD
 <b>2 Operate with Excellence</b>	Improve patient/resident, family, staff & visitors experience with support services	Annual Survey
	Enhance service quality	ATP testing & TAT
	Design and implement one overarching safety program	Lost time injury rate
	Develop and execute a sustainable joint recruitment & retention strategy. <b>Increase TCI availability – trial at HSC and Carbonear EVS</b>	<b>Unfilled shifts</b>
	Reduce our environmental footprint	<b>Waste cost &amp; carbon footprint</b>
 <b>3 One Team Culture</b>	<b>Refreshing Vested Culture and Agreement</b>	Complete actions
	Implement and live in a Vested Culture	Compatibility and Trust Survey
 <b>4 Promote Health and Wellness</b>	Contribute to the overall health and wellness of staff, patients, residents and visitors	Compliance with Healthy Food Policy – Y2 targets
	Promote health and wellness in the community	<b>MOW strategy</b>
	Develop and implement a “buy local” strategy	<b>Introduce locally grown vegetables in Rural LTC &amp; % of local food and supplies purchased</b>
 <b>5 Leader in Innovation</b>	Improve patient/ resident care and population health through innovation	<b>Annual savings through projects</b>



## PART 7: VESTED FOR SUCCESS

A common question from organizations considering Vested is, “Does Vested really generate results?” The answer: an unequivocal yes.

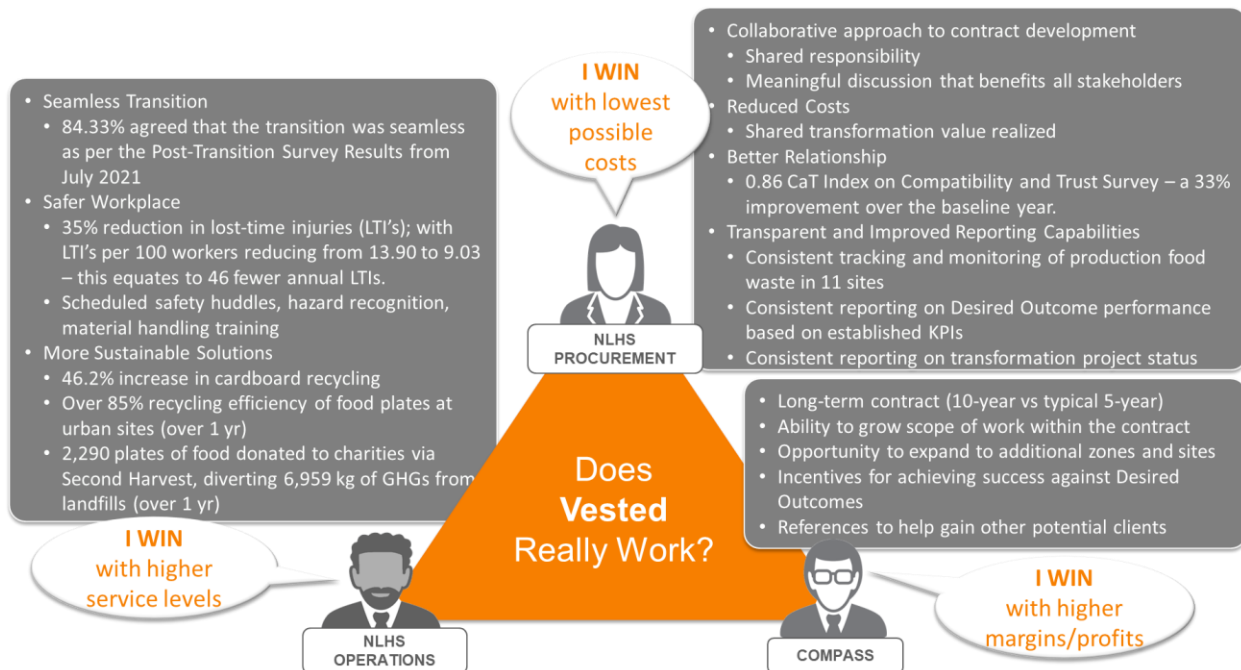
When NHLS’s Johnson looks back – he could not be more pleased. “We’re doing things that we couldn’t do under a normal contract.” After four years the parties have seen tremendous results against the Desired Outcomes. NLHS’s Bishop reports, “I’m happy to say that we’ve hit the majority of roadmap items each and every year, which means we’re delivering value to the organization, which ultimately means we’re delivering value to our patients and our residents and their families.”

Johnson refers to their success as the **power of and**: reducing cost– **and** – streamlining delivery and governance – **and** – improving user experience to record high levels. In addition, the parties have fostered a collaborative culture that is moving beyond short-term quick wins as they invest in the future of how support services operations are delivered and managed. And for Compass? Earned incentives meaning more profit for Compass.

“Both parties are truly vested in each other’s success,” adds Bishop.

**Figure 16** shares a high-level summary of key results achieved in the first four years of the Vested partnership.

**Figure 16: Results After 4 Years**





New team members see the benefits of Vested as well. Tony Williams – Senior Director of Supply Chain – was aware NLHS had gone down the path of more strategic relationship with Compass, but he did not get directly involved with the Vested relationship until well after the contract was operationalized. “You could say I inherited the contract.” Williams loves what he is seeing. “I think the contract itself is incredible because I see performance indicators from that contract on a quarterly basis, and everything is going well.”

### A Culture Shift: From ME to WE

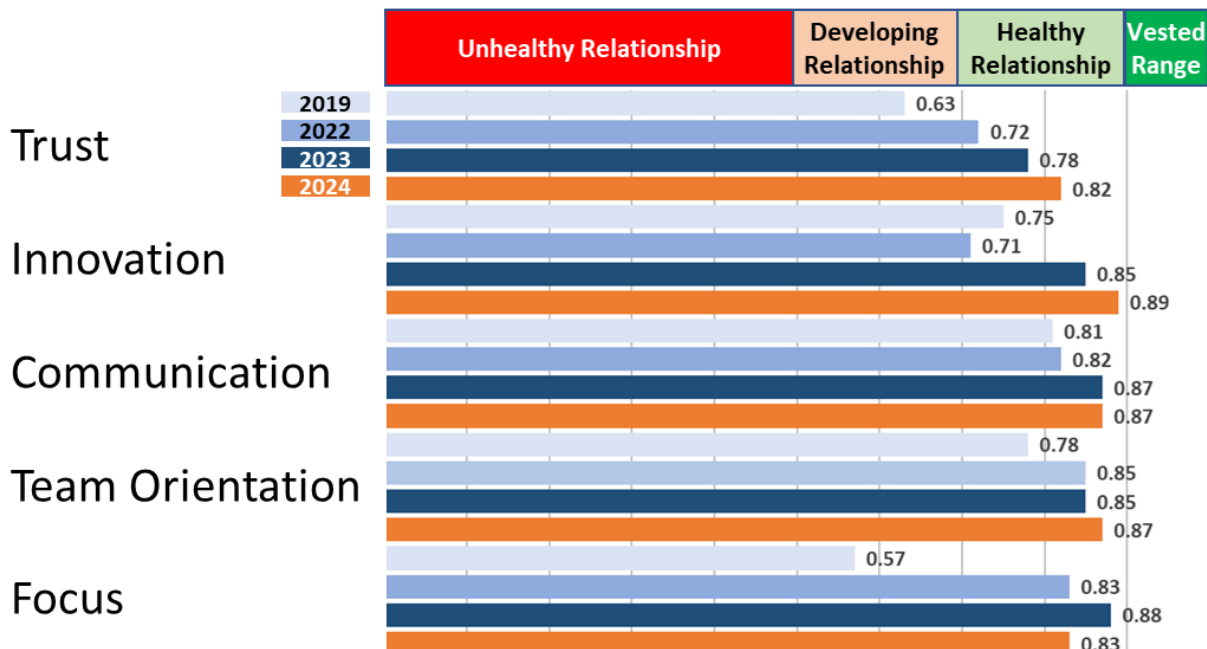
While the results are impressive, team members point to a benefit that is less quantifiable – but perhaps even more rewarding: the positive culture shift that happens when you follow the Vested Five Rules.

Debbie Walsh – VP and COO, Eastern Rural Zone – couldn’t be happier. “It is almost too good to be true. I’ve been around for 34 years and it’s a totally different way of doing business than what we’ve historically done. I have never experienced a contract that had this type of a relationship and trust.”

Diamond agrees. “It’s not the typical tug of war relationship, but it’s really about building each other up and, and, and getting the relationship to a place where all parties are seeing the benefit of the relationship.”

But can you measure the cultural shift? The answer is yes. Recall that as part of the RFPartner process they completed a Compatibility and Trust (CaT) assessment. The baseline CaT index was .70. The parties have seen consistent improvements in relationship health as measured by the CaT assessment with a CaT Index at .86 (**Figure 17**) – in the top 6% of the University of Tennessee’s benchmarks.

**Figure 17 – Improvements in Relationship Health**



But more important the negative energy in the relationship has virtually disappeared, with the percent of negative words decreasing from 9.5% to only 1.2%.

### Figure 18 – Three Adjectives to Describe Your Relationship



Walsh loves the pride people have as they collaborate to achieve the Desired Outcomes. “There’s a whole different atmosphere is hard to explain. I see people who are taking pride in what they are doing. They know the reasons why they’re working, they know what their responsibilities are, and they know they are adding value. For me as a nurse, it’s really comforting see folks who are not providing care that makes patients comfortable in a different way.”



## CONCLUSION AND ADVICE FOR OTHERS

When Ron Johnson set out to champion NLHS to find a better way to outsource he wanted to find a way to tap into the value he was sure the supplier community could deliver. The Vested Way of working has lived into its promise.

His top advice? “If you're going to go down the Vested path, do it, do it right. You need to invest the time and the effort and get your people trained. If you do it right, there certainly the return on investment.

Scott Bishop is adamant that the success stems directly from a well-designed win-win agreement that aligns with the success of NLHS and Compass. “The Vested methodology has helped us co-create a well-designed system that puts positive tension on both NLHS and Compass to continually evolve and innovate. The more successful we are together, the more we both win. The result is a culture where everyone is fully engaged and motivated to bring their A+ self to work every day.”

The NLHS-Compass team wants to encourage other organizations to explore the potential of Vested partnerships. As part of the research for this case study we asked team members to share their top tips and lessons learned.

Pre-Contract	Creating Your Vested Agreement	Living in the Agreement
Have Courage	Invest in the Effort	Onboarding is Essential
Engage Your Leaders	Trust the Process	Focus on Governance
Educate the Team	Find Help	Stay Aligned
	Commit to the Relationship	

The following page list of the Top 10 tips and a sampling of their insights.



<b>Pre-Contract</b>	
<b>Have courage</b>	"It's easy to fall into the trap of status quo. Be courageous in the pursuit of positive change."
<b>Engage Your Leaders</b>	"I don't know if we would have been able to go down the Vested path without the buy-in from our executive team. So engage your executive team early to ensure you have buy-in there."
<b>Educate the team</b>	"First and foremost, I would recommend getting educate on Vested. Reach out to the University of Tennessee fully understand the what you are getting to. And once you know Vested is right, leverage the educate for creating your Vested agreement."
<b>Creating Your Vested Agreement</b>	
<b>Invest in the effort</b>	<p>"If you're going to go down the Vested path, you need to put the time and the effort into following the methodology. You can't cheat on the rules and expect Vested to work."</p> <p>"There is work to create your Vested agreement. But know that good planning results in long-term benefits because things are so simple after that."</p>
<b>Trust the process</b>	"There are quite a few examples of deals that have worked. So feel comfortable in following the process."
<b>Find Help</b>	"If you don't know what you're doing, find help. Creating your Vested agreement is far easier if you if you have someone to lean on that has experience creating a Vested agreement."
<b>Commit to the Relationship</b>	"Vested isn't going to just magically come out of a wand because you did the courses. You have to be committed to the process and the relationship."
<b>Living into Vested Agreement</b>	
<b>Onboarding is essential</b>	<p>"Make sure that a formal onboarding structure is set up, that it is consistent on both sides, and everyone is getting that same orientation. Make sure that everyone is aware of Vested, and constantly thinking about the key factors, and Living Into the Agreement."</p> <p>"Onboarding never stops. You have to keep bringing new people into the fold and Vested Way of working."</p>
<b>Focus on Governance</b>	<p>"Your governance is just something you write down in the contract. The true magic in a Vested partnership is that underlying relationship and putting the governance into practice. And that part takes time and interest, particularly from leadership."</p> <p>"Vested requires strong leadership and dedicated resources to the governance roles to harness the value."</p>
<b>Stay Aligned</b>	<p>"A Vested agreement is a flexible contract framework. Don't put you're your contract in a drawer. Instead harness the flexibility to stay in alignment."</p> <p>"Change is inevitable. Don't be afraid to embrace change and refresh your agreement so you can stay in alignment."</p>



## APPENDIX: Additional Request for Partner Workshop Information

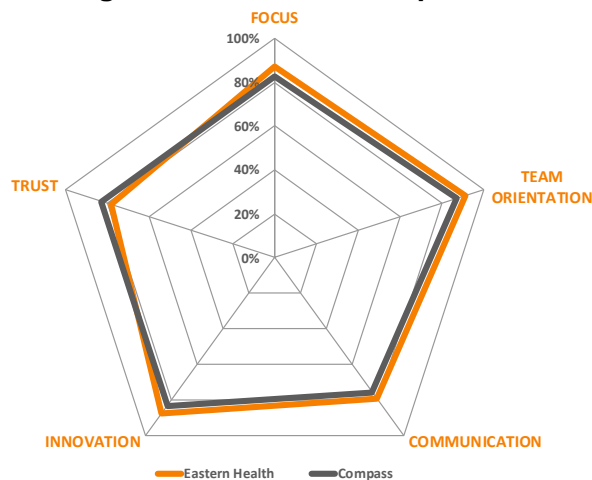
### Workshop 1

Workshop 1 was designed to allow NLHS and each of the service providers to begin to build their relationship and lay the foundation for the development of the future agreement. For this reason, the dialogue discussion was structured to promote open and transparent discussions to help NLHS determine the level of compatibility and “cultural fit” with each of the down-selected service providers. Discussions included strategic goals and organizational values and ways of working which make the parties suitable for a partnership.

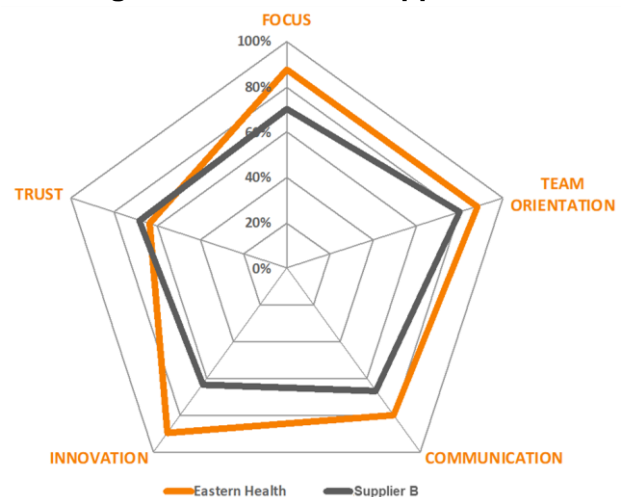
As part of Workshop 1, NLHS requested that service providers complete a Compatibility and Trust® (CaT) Assessment to assess the potential cultural fit of a partner. The CaT was developed by Gerald Ledlow Ph.D. and Karl B. Manrodt Ph.D., and is administered by VestedWay.<sup>5</sup> Buyers often use the CaT at the end of an RFPartner process to help them gauge overall cultural fit by seeing which service providers have similar approaches across the five dimensions of compatibility and trust. NLHS included it in their Evaluation Criteria for Cultural Fit (see **Figure 6** above).

Selecting a strategic partner with a good cultural fit was important to NLHS; thus, 11 of the 36 assessment criteria related to cultural fit. To help NLHA determine cultural fit, both NLHA and each of the suppliers completed a Compatibility and Trust (CaT) assessment to determine their baseline compatibility and trust levels. **Figures 19 and 20** illustrate some of the results from the CaT assessment for each supplier. **Figure 19** (on the left) shows a tight alignment with Compass (the winning supplier). **Figure 20** (on the right) indicates there is a gap in cultural fit between NLHS and Supplier B (the losing supplier).

**Figure 19 – NLHS & Compass**



**Figure 20 – NLHS & Supplier B**



<sup>5</sup>For more information on the CaT Assessment, please download the white paper at <https://www.vestedway.com/unpacking-trading-partner-trust>

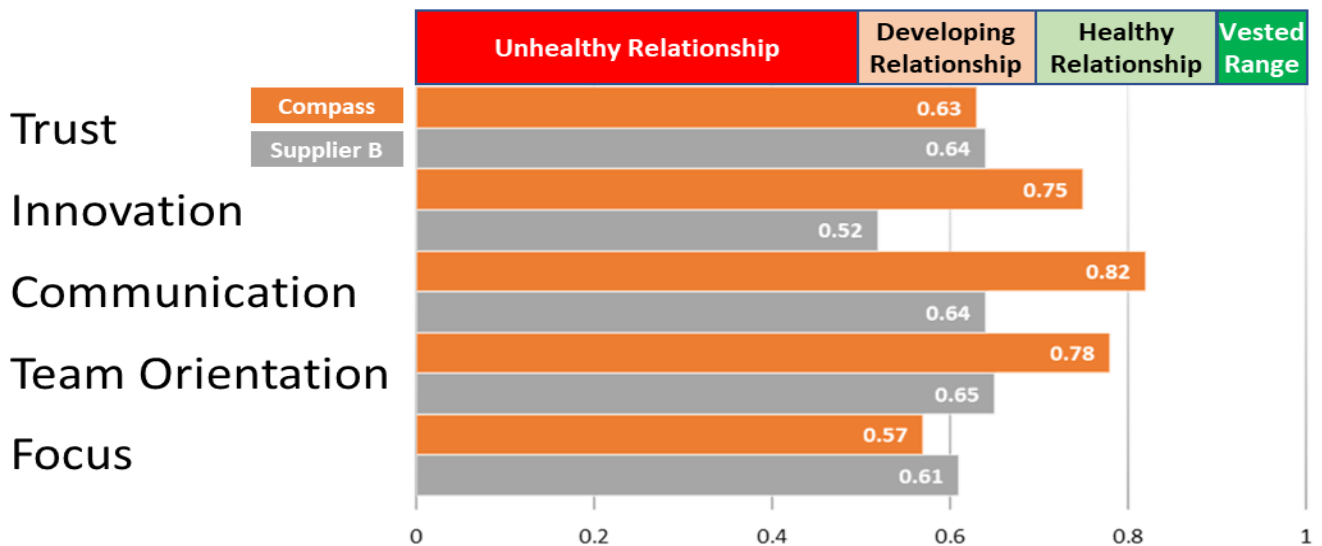




The assessment showed that Compass had a higher cultural fit. How? A tell-tale sign of cultural fit is when the CaT self-assessments have small gaps across the five CaT dimensions. For example, look closely at the Innovation dimension. NLHS (noted in the orange line in both **Figures 19 and 20**) scores its own organization as innovative, while Supplier B scores its organization as much less innovative. The difference creates a significant gap in how the parties view innovation.

A second analysis of the CaT assessment is for team members to score each company based on their *perception* of their partner. This analysis works very well when assessing existing business relationships, such as those in the NLHA scenario. Once again, the CaT revealed a much healthier business relationship based on their existing working relationship, with a CaT Index of .71 for Compass versus .61 for Supplier B. The Compass relationship had three of the five dimensions falling into a “healthy” relationship, while Supplier B did not reveal any of the five dimensions as being “healthy.” (**Figure 21**)

**Figure 21 – CaT Index Comparison – Compass & Supplier B**



As part of the bid process, NLHS used the CaT assessment data as the foundation for dialogues with each supplier. In the dialogue workshops, the suppliers were challenged to address how they would close gaps in their cultural fit by addressing the cultural fit criteria in the scoring rubric. As noted in Part 3, NLHS picked Compass as their provider of choice.

### Workshop 2

It is tempting to try to develop a complete “solution” with as many service providers as possible. University of Tennessee researchers view this as unnecessary and inefficient because it significantly increases transaction costs for both the buyer and service providers. Losing service providers almost always suggest they prefer to “fail fast” in a bid process. NLHS avoided this pitfall by limiting the number of suppliers to participate in the dialogues and solutioning with only the two most capable suppliers.

In Workshop 2, the collaboration work increased further and focused on the service providers' potential solution proposals and technical competencies. Suppliers were encouraged to ask a lot



of questions and challenge the status quo of the way things had previously been outsourced. A significant amount of time was spent on solutioning with each of the service providers and understanding potential TCO (Total Cost of Operation) reduction opportunities.

The Award Criteria were designed to enable NLHS to understand each of the service providers ability to understand and solve for NLHS's current challenges. The inclusion of TCO reduction opportunities also helped NLHS gauge each of the service providers ability to provide relevant TCO suggestions. It also helped NLHS see first-hand each of the service providers willingness to initiate, drive and deliver transformation and continuous improvements equivalent in scope of Facility Management services at NLHS.

### **Workshop 3**

The third workshop allowed NLHS and the service providers to gain further alignment. A key purpose of Workshop 3 was to let the service providers have a chance to discuss concerns raised by the NLHS during the previous two workshops. With a focus on Risk Mitigation and Guardrails, Workshop 3 also allowed NLHS and each of the service providers to discussed perceived weaknesses and risks.

Erik Sörnäs, the Vice President for Business Development for Compass, was skeptical about the RFPartner process at first. But as he participated in the dialogue workshops he soon became a convert. "The workshops were designed brilliantly to enable both NLHS and us as a service provider create clear mutual understanding." He elaborates: "The workshops really helped us sort out questions like, 'Are we going to be able to work with these guys? Do they like us? Are we on the same wavelength when it comes to what we believe? While the workshops were good to allow NLHS to get to know us, the workshops also helped Compass get comfortable with NLHS. This ultimately enabled us to feel comfortable being transparent with things that we normally are not transparent about such as the economics of pricing model."

Sörnäs continues as he reflects on the discussion about the economic model workshop. "Whenever we get into questions about 'total cost of ownership' (TCO) it makes service providers like us, truly question: how do you create a good team? Getting to a true TCO means that a buyer and service provider need to truly work together in ways that are not typical and transactional. The workshops gave us to opportunity also see how NLHS was thinking and get a feel on how we could really team to unlock TCO opportunities".

The RFPartner process outlined in this paper works well for reducing transaction costs because the more detailed solutioning and contract creation is not finalized until Phase 4 with only the service provider finalist. However, if the buyer and service provider fail to create an agreement, the buyer can go back to the "service provider(s) in waiting" who placed second or third during the Award Phase.<sup>6</sup>

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<sup>6</sup> University of Tennessee researchers have never seen this happen in any of the bid processes they have studied.



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Tony Williams Senior Director of Supply Chain	Leta Hill Regional Vice President, Compass One
Kerry Hatfield In-house Legal Counsel	Healthcare & Support Services

## ABOUT THE AUTHOR



Kate Vitasek is an international authority for her award-winning research and Vested® business model for highly-collaborative relationships. Vitasek is the lead faculty and researcher for Vested and has launched the University of Tennessee's Certified Deal Architect program. Kate has written eight books, including: ***Vested: How P&G, McDonald's and Microsoft Are Redefining Winning in Business Relationships***, ***Contracting in the New Economy***, ***Vested Outsourcing: Five Rules that Transform Outsourcing*** and ***Getting to We: Negotiating Agreements for Highly Collaborative Relationships***.

Vitasek has been featured on *CNN International*, *Bloomberg*, *NPR*, *Fox Business News*, and *Forbes*. Her work has also appeared in over 300 articles in publications including *Harvard Business Review*, *Chief Executive Magazine*, *Information Week*, *CIO Magazine*, *The Wall Street Journal*, *Journal of Commerce*, and *World Financial Review*. Vitasek is widely recognized for her leadership in tirelessly supporting practitioners. She is in both the Sourcing Industry Group and the International Association for Outsourcing Professionals *Hall of Fame* and was named a World Contracting and Contracting *Fellow*. The Institute for Conflict Prevention and Resolution honored her with its *Dispute Prevention Leadership Award* she has been named a *Power Influencer* by *World Financial Review*, a *Rainmaker* by *DC Velocity* magazine and *Woman on the Move in Trade and Transportation* by the *Journal of Commerce*.



## 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 eight books on the Vested business model and its application in strategic sourcing.



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 into 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/> where 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 papers and resources. For more information, contact [kvitasek@utk.edu](mailto: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*



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