VESTED® For Success Case Study

From Good to Great:

How *TechCo* and *FMPro* Put the Vested Business Model Into Practice

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EXECUTIVE SUMMARY

TechCo[1] is a leading manufacturer of high-tech products and is known for creating radical innovations that revolutionizes the way we live. Ask any employee and they will say TechCo is an innovative company.

When team members were challenged to drive cost savings in how TechCo executed its facilities management operations team members set out to rethink their approach to outsourcing. Could they take a *good* relationship with FMPro and turn it into a *great* relationship that would drive innovation rather than cut costs in the typical ways.

The idea seemed appealing. After all, many leading service providers such as FMPro tout themselves as innovative. In fact, FMPro's website highlights: "We want the most ambitious clients to work with us – simple as that".

However, there is a catch-22 with the traditional outsourcing model itself because it creates inherent perverse incentives anchored in an "us versus them" mindset and includes a transactional economic model where the service provider is paid for doing work rather than driving efficiencies and investing in innovative approaches. This was the case with the TechCo-FMPro relationship until a small group within TechCo set out to challenge the conventional approach to outsourcing.

The solution? Make the shift to a Vested outsourcing business model. Team members are ecstatic with the results. TechCo's chief operations officer applauded FMPro with FMPro's Distinguished Supplier Award, "FMPro stands out among suppliers. Their customer orientation and commitment to excellence is a testament to their dedication and serves as a global benchmark for others to follow."

This case study goes behind the scenes and shares what most team members call a "paradigm shift" to the Vested Way of working. The case study consists of six parts.

- Part 1 provides a brief ***background***
- Part 2 shares how TechCo ***laid the foundation*** for change
- Part 3 profiles how TechCo and FMPro ***got ready*** for the Vested journey
- Part 4 goes into detail about how the partners put the Vested theory into practice by ***creating a Vested Agreement***
- Part 5 highlights the ***results*** after making the shift to Vested
- Part 6 summarizes the ***lessons learned*** and ***provides advice*** for others considering Vested

We hope you find this case study an inspiration to see the art of the possible regarding strategic outsourcing partnerships.

[1] *This case study is based on real companies. The names of the companies and people involved are anonymous at the request of the buying organization.*

PART 1: BACKGROUND

The TechCo-FMPro relationship began in 2008 when TechCo launched a competitive bid process in the America's region resulting in a contract coined "IFM 1.0". One year later – with TechCo performing well – TechCo suggested the other regions make the shift to an outsourced model and several countries followed suit. While FMPro was the only supplier and there was one Master Service Agreement, the contracting structure was a hodgepodge of multiple contractual documents with different terms and conditions.

Over the years the TechCo-FMPro relationship continued to grow. For example, the APAC region - driven by the need for flexibility and cost savings - leaned into the FMPro relationship and extended the scope of the relationship with the decision to transition hundreds of technicians from TechCo to FMPro. While the results were positive and led to cost savings, the focus remained mainly on the daily business, rather than a forward-looking focus towards innovations.

With a solid and growing foundation, TechCo renewed FMPro's contract in 2013 in what was coined as "IFM 2.0" with the goal of standardizing some of the FM services around the world. For example, the contract implemented minimum standards for certain service level agreements. By 2016 – as the IFM 2.0 contract was expiring – TechCo engaged a consulting firm. The consulting firm suggested TechCo would be able to get a price break if they leveraged their buying power across all of the country specific contracts as part of a larger and more centralized contract.

While the strategy would create leverage and streamlined operations, it made TechCo nervous to have all its eggs in one basket with FMPro. To help offset the risk, the consulting firm suggested TechCo use a GMP (Gross Maximum Price) performance-based contract where FMPro would put a significant amount of its profits at risk by guaranteeing service levels and a cost savings glidepath. If FMPro did not perform – either by missing service level commitments or by failing to reduce costs below the glidepath – FMPro would face penalties.

To make the GMP contract work, TechCo's procurement team agreed to give FMPro more control and accountability on how the work would be performed – something that is essential to make a GMP contract work.

The GMP contract was known as "IFM 3.0".

On the surface, IFM 3.0 was a smart approach. However, in practice the GMP contract began to create friction between TechCo and FMPro. For example, the site managers in each of the TechCo locations were not always open to changes that would reduce costs. And – equally frustrating was when TechCo site managers wanted FMPro to do something, FMPro would come back and say "I am sorry – that is not in the scope and we will have to charge you for that." Scope creep became a constant battle and an "us versus them" relationship emerged.

Early in 2020, TechCo leaders were scratching their heads. To make matters worse, the pandemic left TechCo with a significant amount of uncertainty about the future of FM operations. With work at home – would TechCo reduce or eliminate some sites? And TechCo's executives - nervous about the future under the pandemic – were putting even more pressure on procurement to reduce costs.

Paula Procurement was tasked to come up with a strategy for "IFM 4.0". She knew this would be a challenging task considering TechCo's procurement team and TechCo's FM operational team were not in agreement of the process. The typical procurement process generally involves a Request for Quote/Proposal when a contract is nearing its expiration. TechCo's procurement team was keen for TechCo to do a competitive bid to test the market. But Paula knew TechCo's operation team was happy with the overall performance of FMPro and was not a fan of changing suppliers – even with the scope creep frustration brought on by the GMP contract.

Paula Procurement knew if she was going to be successful she'd have to get the head of FM Operations on board – Oliver Operations. They came up with a compromise: engage potential suppliers, industry experts, and stakeholders to gather insights and feedback before formally launching a competitive bid process. This would give TechCo a change to identify market capabilities, innovative solutions, and potential challenges, ensuring a more informed and effective approach to meeting TechCo's goals.

The findings were clear: FMPro's cost were already below market rates and their performance was solid. In addition, the team knew the cost of doing a bid would be expensive and if TechCo wound up switching suppliers the transition cost would be high and the knowledge transfer would be difficult.

Paula Procurement and Oliver Operations knew that something different needed to be done. This is when Paula remembered hearing Vested outsourcing several years earlier. Paula remembers thinking, "An interesting concept, but it will never fly at TechCo."

Maybe now the timing was right?

Part 2 shares how TechCo and FMPro laid the foundation for change and got buy-in to make the shift to a Vested Outsourcing model.

PART 2: LAYING THE FOUNDATION

Most companies don't just snap their fingers one day and say, "We are going to make the shift to Vested." Making the shift to Vested with a strategic partner – especially if you are the buying company – is often a big decision because it represents leaning into a business relationship and being highly transparent.

A typical Vested journey goes through four phases starting with awareness and understanding before jumping into the implementation phase where a joint deal architect team co-creates a Vested agreement (**see Figure 1**). The University of Tennessee offers educational resources to help companies as they make the shift, and Vested Centers of Excellence provide optional hands-on consulting and coaching support.

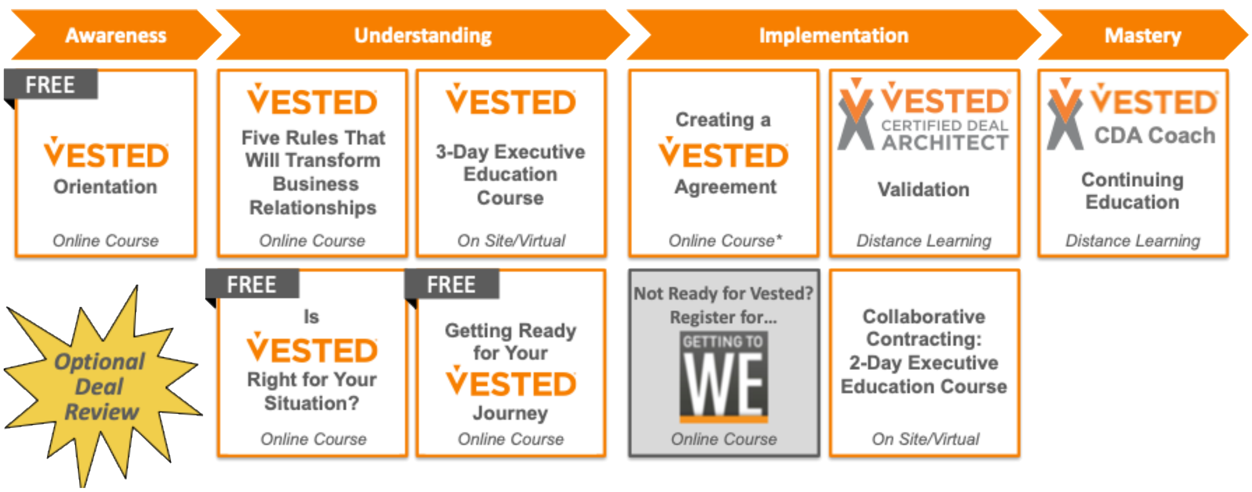

FIGURE 1: VESTED EDUCATION ACROSS FOUR PHASES

Part 2 shares the journey of how TechCo and FMPro laid the foundation as they worked their way through the awareness and understanding phase.

Awareness

Paula Procurement and Oliver Operations put their heads together. The idea was to host an executive "awareness" overview workshop to introduce Vested to both the procurement and operations leaders. The idea worked and interest in Vested grew.

Paula and Oliver approached FMPro. Had they heard about Vested? And would they be interested in exploring making the switch to a Vested agreement as part of an IFM 4.0 initiative?

The answer? A resounding yes.

Together, TechCo and FMPro engaged The Forefront Group – a boutique consulting firm - to perform a Deal Review. The goal: depending on the results of the Deal Review, the parties would determine if making the shift to a Vested model was a good fit.

Deal Review

The Deal Review had four parts: assessing the current FM strategy, assessing the current contract(s), assessing relationship health using a Compatibility and Trust assessment, and assessing their relationship.

FM Strategy Assessment

The FM strategy assessment sought to understand the impact of the current situation between TechCo and FMPro. Unlike the market consultation performed by Paula Procurement and Oliver Operations, the FM strategy assessment was a deep dive on the actual TechCo-FMPro operating model. The review found the TechCo IFM 3.0 program:

- had delivered significant value and cost savings over the life of the program.
- was able to navigate significant increases in scope and complexity throughout the regions with minimum increase in site level or management resources.
- used varied operating models between sites and regions, which created perception gaps in expectations and created cases of inefficient resource deployment and responsibility gaps between TechCo/FMPro

The program was at an inflection point.

Making progress would mean TechCo would need to align on the operating models across locations with a more customer focused perspective. It would also mean TechCo would need a mindset shift, shifting from simply "saying" FMPro was a strategic partner to integrating with FMPro on a deeper level to optimize TCO (total cost of ownership) versus simply managing the spend with FMPro.

Contractual Assessment

As the TechCo-FMPro relationship evolved, the parties ended up with multiple contractual documents with different terms and conditions. The second part of the Deal Review assessed the overall contract and its various components. The Forefront Group's conclusion? The parties were operating in what UT researchers coin a "contractual mismatch". (**see Figure 2**)

		Relationship/Contract Model		
		Transactional Contract (Market)	**Relational Contract** (Hybrid)	**Investment** (Vertical Integration / Hierarchy)
Economic Model	**Outcome-Based** *Economics tied to Boundary Spanning/Business Outcomes*	Mismatch – Not a Viable Strategy	Vested	Equity Partner (e.g. Joint Venture) or Shared Services
	Output-Based (Performance-Based / Managed Services) *Economics tied to Supplier Output*	Mismatch – Not a Viable Strategy	Performance-Based (Managed Services) Agreement	
	Transaction-Based *Economics tied to activities drive behavior*	Basic Provider Approved Provider	Preferred Provider	

FIGURE 2: BUSINESS MODEL MAPPING MATRIX

Why a mismatch? With IFM 3.0, the parties' intent was to write a performance-based agreement. The parties did a good job of evolving the economic model to an *output-based economic model* which is indicative of a performance-based agreement where FMPro was on the hook for achieving supplier-controlled outputs. However, the relationship/contract model was based on TechCo's traditional standard boilerplate which was transactional in nature.

As part of the review The Forefront Group identified gaps against the University of Tennessee's benchmarks across ten 10 contractual elements. The results (**see Figure 3**) showed the TechCo-FMPro contracts had significant room for improvement across all 10 of the Vested elements.

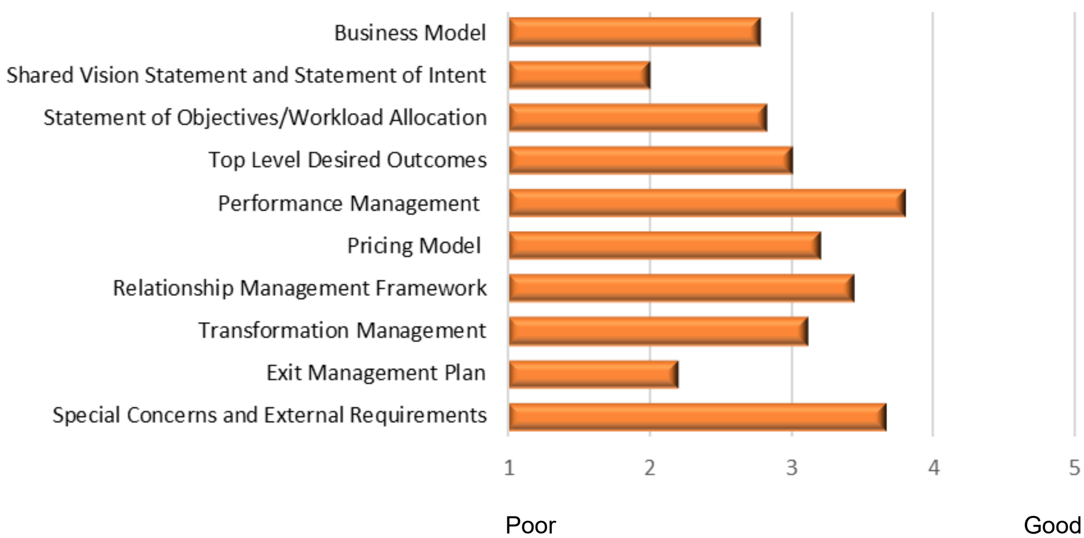

FIGURE 3: SCORING OF IFM 3.0 CONTRACT AGAINST VESTED ELEMENT BENCHMARKS

While the contract review revealed many contractual gaps, two stood out to the Paula and Oliver. First, TechCo and FMPro would consistently "say" strategic supplier, but the review showed a lack of shared vision and intentions in the contract. Second, there was a clear weakness in how the parties would handle an exit if parties' split ways.

Compatibility and Trust Assessment

A Compatibility and Trust (CaT) assessment seeks to understand the level of cultural fit and trust between trading partners. One way this is done is by comparing the organization's cultural fit across five dimensions. **Figure 4** illustrates TechCo and FMPro's cultural map was tightly aligned across each of the five dimensions represented by small gaps.

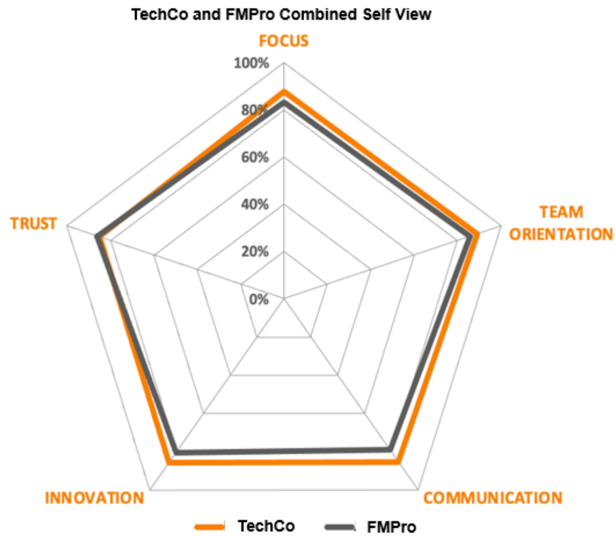

FIGURE 4: TECHCO AND FMPRO'S COMPATIBILITY

In addition, the assessment revealed the parties' overall relationship health (as measured by the CaT Index) was *good* – falling into the healthy zone in 4 out of the 5 dimensions of relationship health. **Figure 5** shares the CaT Index across five dimensions.

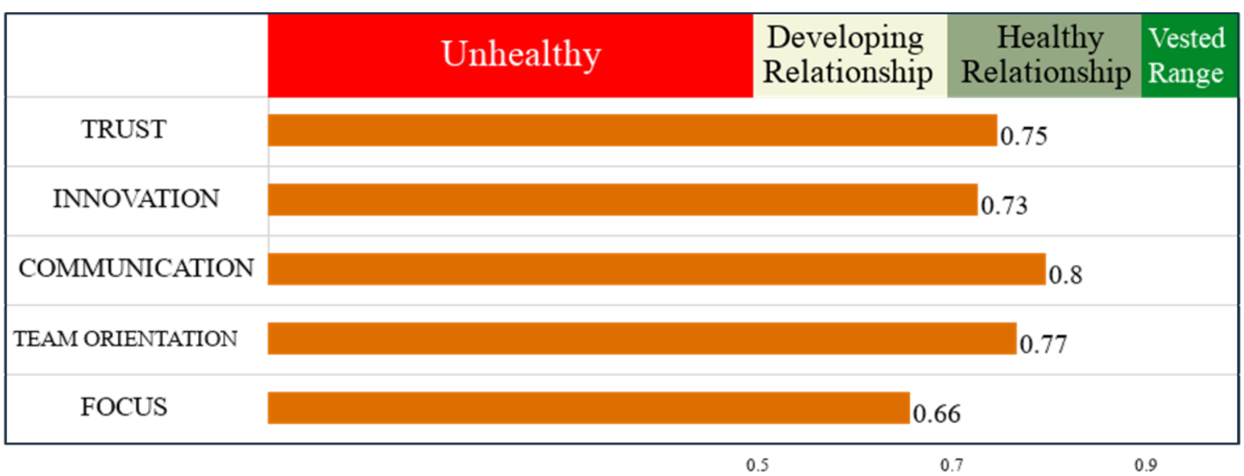

FIGURE 5: CAT INDEX SCORES

The area where the parties' relationship health was the weakest was "focus" – which is common in traditional outsourcing relationships where the buyer and supplier organizations typically operate in a transactional buy-sell business model where a win for the buyer is a loss for the supplier – and vice versa.

Relationship Assessment

A last part of the Deal Review was an in-depth relationship assessment. Here the Forefront Group interviewed key stakeholders from both TechCo and FMPro across different functions and locations. The interviews highlighted the parties had a solid relationship and a great performance track record. However, the interviewed also revealed the parties suffered from common outsourcing ailments. (**See Figure 6**)

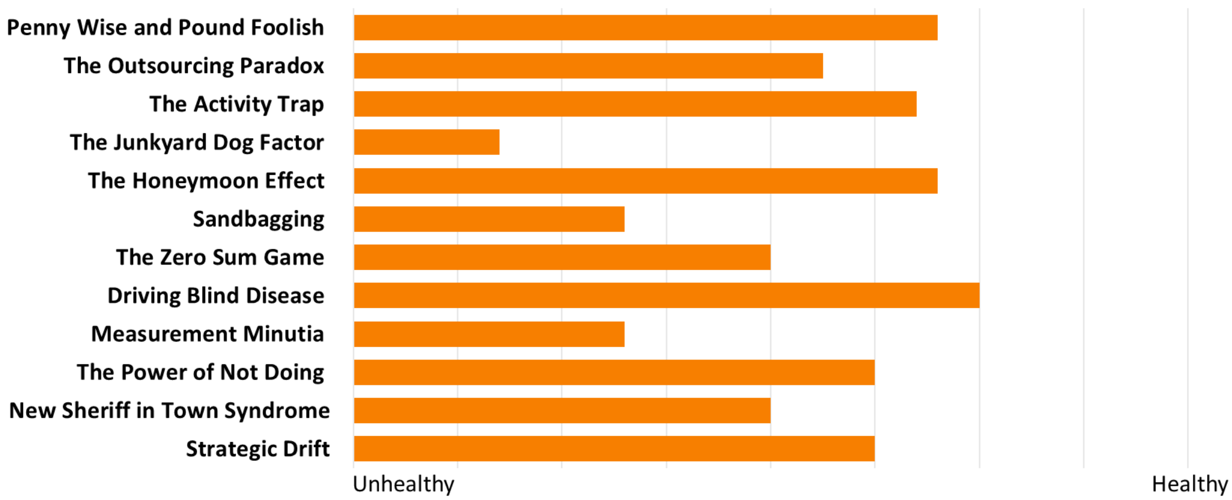

FIGURE 6: 12 AILMENTS OF OUTSOURCING SCORING

For example, TechCo suffered from the *Outsourcing Paradox* in that while TechCo wanted to lean on FMPro's expertise, the actual Statement of Work in the contract held FMPro to tight specifications for doing the work the way it had always been done. This was further exacerbated with *Measurement Minutia*, with TechCo having many detailed requirements for each of their hundreds of types of services, plus varied metrics across its sites. This created a lack of focus which was time-consuming for FMPro to manage.

In addition, TechCo site-level employees suffered from the *Junkyard Dog Factor* – being protective of their jobs and their way of working. An interesting observation was TechCo had an inherent perverse incentive to have a large FM operations team in spite of outsourcing. Why? For a TechCo employee to be considered a "manager" they needed to have seven employees work under them. This resulted in TechCo having a large FM operations team with no one having an incentive to streamline their own functions, departments or locations. The result? This made it hard for FMPro staff to take ownership to get their jobs done.

FMPro also contributed to outsourcing ailments. For example, the nature of the performance-based agreement meant FMPro was on the hook for annual glide path savings. As such, FMPro was hesitant to deliver savings beyond the yearly required glidepath targets so it would be easier to deliver on the savings targets in the outyears of the contract.

Deal Review Results

The Deal Review findings were clear: while the TechCo-FMPro relationship was *good* there was a lot of opportunity for the parties to become *great* if they could align on a clear strategy and operating model – something that the Vested methodology could help with. The Deal Review gave TechCo and FMPro enough confidence to continue the journey and learn more.

Understanding

Many organizations like creating a Vested agreement. But just because a company is attracted to the promise and potential benefits of a Vested partnership, it does not mean Vested is the right fit for their situation. For example, you likely shouldn't go through the effort to create a Vested agreement if you are buying pens!

This is one reason UT faculty stress companies pause and make sure a Vested business model is right for their situation. UT has a free online course ***Is Vested Right For Your Situation?*** designed to help companies do a Business Model Map to determine if Vested is the right sourcing business model. While TechCo-FMPro could have simply completed the free online course, they opted to leaned on The Forefront Group to bring the UT online course to come to life in a facilitated workshop. The ultimate goal of the workshop? Answer the question - is a Vested agreement the right approach for the TechCo-FMPro FM outsourcing relationship?

The Forefront Group conducted a Business Model Mapping exercise where a cross-functional team from TechCo and FMPro 'mapped' their business environment against a comprehensive list of relationship and economic business attributes. While there were nuances between team members and locations, the consensus was that TechCo and FMPro could achieve the most value if they shifted up to a Vested agreement **(see Figure 7).**

		Relationship/Contract Model		
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FIGURE 7: BUSINESS MODEL MAPPING MATRIX

Paula Procurement reflects on the exercise, "The Business Model Mapping exercise led to a healthy discussion on how both TechCo and FMPro individuals viewed the IFM environment. It created understanding and alignment. The logic behind the Business Model Mapping exercise was brilliant because it forced us to think about which sourcing business model was the best fit for our relationship."

The Momentum Shifts

The Deal Review and Business Model Mapping exercises were a crucial turning point for the TechCo-FMPro team. The result? TechCo and FMPro made a strategic decision to shift to a Vested business model.

The next step? Getting ready to create a Vested agreement.

PART 3 – GETTING READY FOR THE VESTED JOURNEY

The University of Tennessee teaches teams should ensure they are "ready" before they start the process of creating a Vested agreement.[2] The Forefront Group led TechCo and FMPro through a facilitated "getting ready" process to finalized the Deal Architect Team and Steering Committee, established Guardrails, and created a timeline for creating their Vested agreement.

Establishing the Deal Architect Team

A key part of the Getting Ready phase was finalizing the Deal Architect Team who would work side-by-side to translate the intent of the relationship into a win-win contract that follows the Vested Five Rules (**see Figure 8**). The Deal Architect Team had 10 cross-functional '2-in-a-Box' pairings (one from TechCo and one from FMPro). The team was divided into two layers – the "Core Team" of 14 members who would do the heavy lifting of creating the Vested agreement and an "Extended Team" that would do deep dives in certain areas such as developing the pricing model. Paula Procurement and FMPro's Global Account Executive (Allen AcctExec) were the Core Team leads.

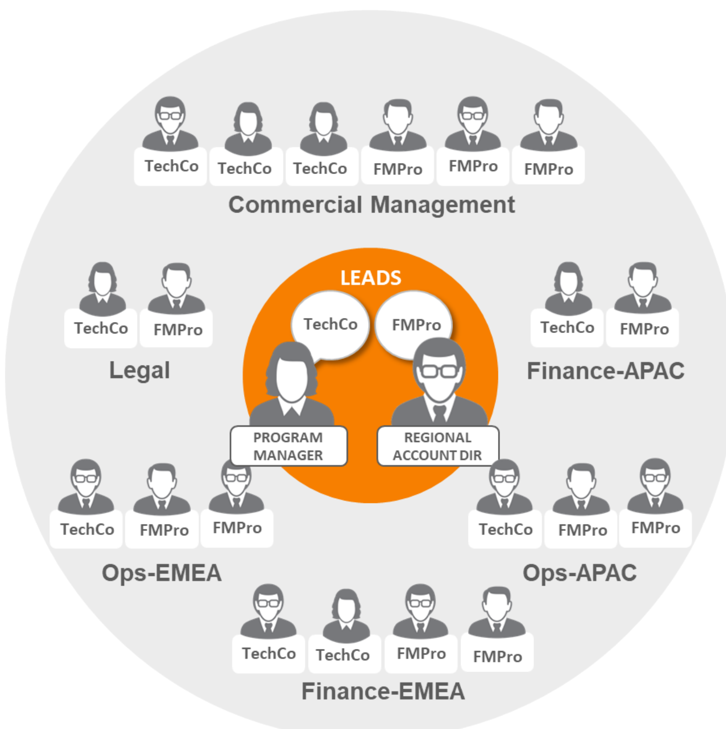


FIGURE 8: DEAL ARCHITECT TEAM

[2] *The University of Tennessee offers a free online course titled "Getting Ready for Your Vested Journey" that goes through five readiness factors. Visit UT's dedicated website to Vested at www.vestedway.com to learn more about readiness success factors.*

The Deal Architect Team decided to call themselves "OneTeam" to create a feeling of unity as team members on one team rather than simply working in an "us versus them". OneTeam was not only the name for the Deal Architect Team, but it also represented the partnership well after the contract was signed.

Establishing the Joint Steering Committee

A well-run Vested journey includes a Joint Steering Committee with executives from both companies. A key role of the Steering Committee is to review the Core Team's work from each Vested Rule and provide a formal 'GO' to move forward to the next Vested Rule. The Steering Committee also provides guidance and strategic direction to the Core Team.

Figure 9 shows an overview of the 3-tier governance structure the parties used as they worked through creating their Vested agreement.

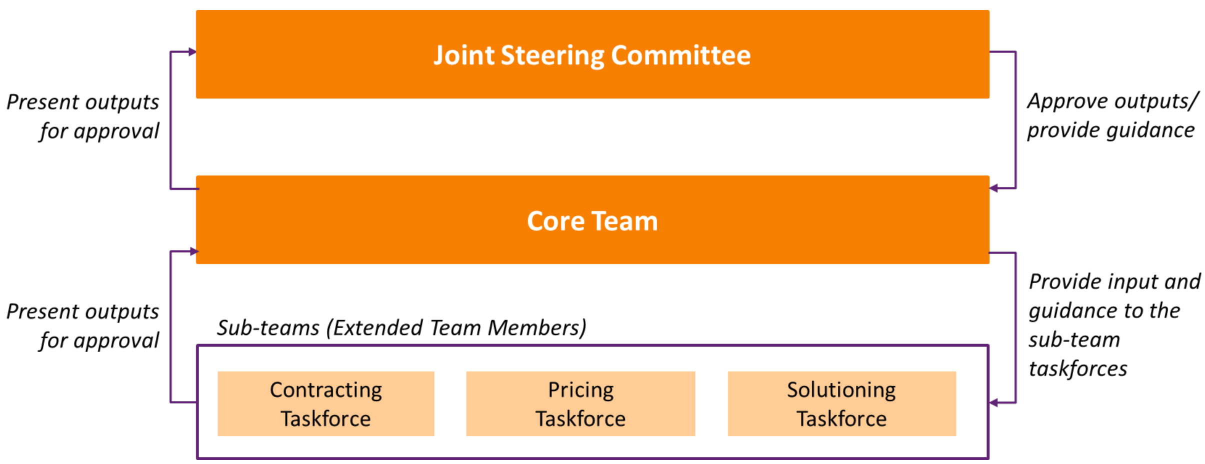


FIGURE 9: PROJECT GOVERNANCE STRUCTURE

Establishing Guardrails

A key part of Getting Ready is to establish Guardrails. Guardrails are the walk-away positions of each party. In other words, what are the absolute must-haves for each party in the contract. By clarifying Guardrails upfront parties can agree on whether there is sufficient room within the Guardrails to construct their agreement. The Deal Architect Team can then design their contract within these boundaries. (see **Figure 10** on the following page for the Guardrails).

	TechCo	FMPro
Contract	• **Flexible contract** to change and scale scope to meet business conditions	• **Sustainable** business model
Term	• At least **5 years initial term**	• **Initial 5-year** contract
Financial	• **TCO** will be used to substantiate the cost elements of the value proposition, including expanded/incremental scope and/or program adds • **Current costs** of Vendor Operations (FMPro + Vendor Costs + market related increases) will be **maintained or reduced** over the life of the contract • Maintain **transparency** for cost-plus items • **Extend payment terms** to align with the industry	• Needs to be **profitable**
Legal	• **Indemnity, liability and termination** to meet or exceed current agreement	• Liability and indemnification should be **no worse for FMPro** than in existing contract
Business Principles and Behavior	• **Commitment to conduct business with uncompromising integrity,** complying with local regulations and corporate ethics culture, environmental and safety expectations	• **Commitment to consistency of behavior** throughout the Vested process, and into Operations across and stakeholders and Vendor Partners • **We will always put Safety First.** If it cannot be done safely, we will not do it.

FIGURE 10: ONETEAM'S GUARDRAILS

Once the Guardrails were established, the Forefront Group facilitated two strategy sessions with the Steering Committee. The purpose of these sessions was:

1. to educate the executives who would ultimately approve the Vested agreement about the Vested methodology
2. to help the Steering Committee members understand their role, and
3. to ensure acceptance of the Guardrails developed by the team.

The last topic resulted in the first step towards alignment within and between the companies. The Deal Architect Team was then chartered to craft their Vested agreement as long as it stayed within the Guardrails.

Establishing the Timeline/Workshop Schedule

The University of Tennessee does not prescribe how much time to go through the Vested methodology. However, the typical timeframe ranges between six and seven months.[3]

OneTeam created a seven-month schedule (including the Getting Ready phase) where team members would work through a series of workshops challenging the status quo and co-creating the relationship and business "rules" to follow the Vested Five Rules.

TechCo and FMPro felt the timeline was quite ambitious because the Deal Architect Team members were also working in their full-time roles. The scope was large, with many stakeholders across many sites in various regions. Everyone knew that creating alignment in expectations and agreements across sites would be a huge effort. Especially, since the workshops would be done 100% virtually due to the Covid pandemic. However, everyone was very committed. After the brief Getting Ready phase, the actual creating a Vested Agreement kicked off the second week of February 2021.

Figure 11 shows the high-level timeline the parties established for their Vested journey.

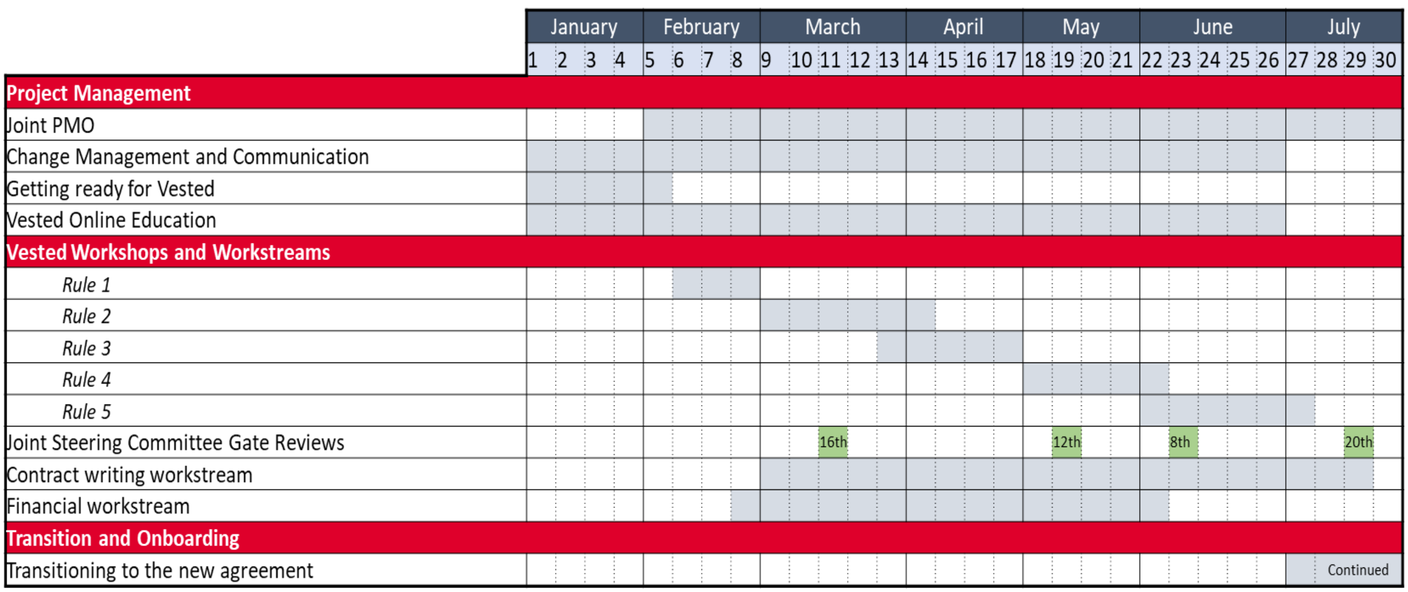


FIGURE 11: HIGH-LEVEL PROJECT TIMELINE

Part 4 of this case study goes into detail on how the Deal Architect Team followed each of the Vested Five Rules.

[3] *Six months is the typical timeframe for creating a Vested agreement when a Vested Coach is involved. The time does not include vacations and holidays. The quickest amount of time for a team has been four months. Teams not using a Vested Coach typically spend as much as three times longer to work through the process.*

PART 4: CREATING A VESTED AGREEMENT (100% VIRTUALLY)

Vested is a business model, methodology, mindset and movement for creating highly collaborative business relationships that enable true win-win relationships in which both parties are equally committed to each other's success.

The Vested business model is based on Five Rules[4] as illustrated in **Figure 12.** When applied, a Vested approach fosters an environment that sparks innovation, resulting in improved service, reduced costs and value that didn't exist before — for both parties.

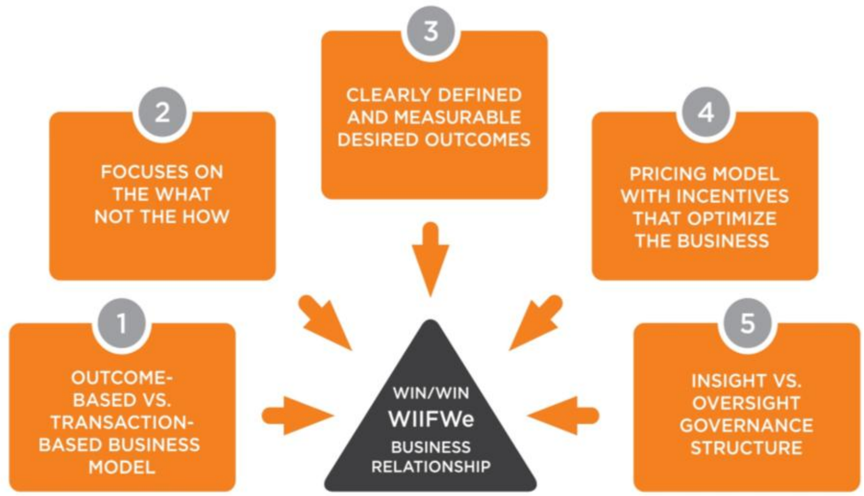


FIGURE 12: THE FIVE RULES OF VESTED® METHODOLOGY

On the surface following the Vested Five Rules seems relatively simple. Some would even argue the Vested Rules are common sense. However, ask any organization that has created a Vested agreement and they will tell you it is challenging – like trying to ride a backwards bicycle.[5] On the surface, it does not seem like it would be hard to do since you are still simply riding a bicycle. But the very nature of the Vested Five Rules changes the business model from a buyer-service provider relationship to a true win-win outcome-based model underpinned by a formal relational contract.

Part 4 provides insights on how OneTeam translated the Vested 5 Rules into their contract.

Creating a Vested Agreement

An essential part of the Vested methodology is for Deal Architect Team members to take the UT ***"Creating a Vested Agreement"*** online course and attend workshops where they collaboratively make decisions that are translated into formal contract language. The *Creating a Vested Agreement* online course is where team members learn the fundamentals of Vested (the why and how) and then are challenged to put the theory into practice during the live workshops. The

[4] *Vitasek, Kate, Mike Ledyard and Karl Manrodt. Vested Outsourcing: Five Rules that Transform Outsourcing, Palgrave Macmillan, 2010.*
[5] See the Backwards Bicycle video with this YouTube video link https://www.youtube.com/watch?v=MFzDaBzBlL0

process tightly integrates "learning" and "doing," which significantly increases understanding and, ultimately, buy-in for the changes needed.

In the case of OneTeam, the workshops were all done virtually due to Covid with The Forefront Group facilitating the workshops where OneTeam co-created how they would follow the Vested Five Rules and 10 contractual elements.

The project plan included both the time for team members to complete the *Creating a Vested Agreement* online courses and attend the workshops, which flowed in order of the Five Rules. For example, in Rule 1 the joint team created the Shared Vision for the partnership and defined the high-level Desired Outcomes. In Rule 4 the team developed the pricing model.

Paula Procurement reflects on the process: "The process was well structured. We watched the videos prior to each workshop, so everyone was prepared. The workshops brought our team so much closer together and so much more committed to the contract because this was our baby. We designed it, we developed it, we gave birth to it, and now we're bringing it up."

TechCo's program manager for Asia – Alison AsiaOps - adds: "During the workshops, the big challenge was unlearning our existing mindset and then build everything from ground up. It (the Vested methodology) forced us to discuss the elephants in the room. Those were difficult periods, but very necessary, as it provided the foundation, really bringing us much closer together as a team."

Rule 1: Focus on Outcomes, Not Transactions

A hallmark of a Vested relationship is a formal relational contract that focuses on mutually defined outcomes rather than simply contracting for a service provider to perform tasks. A relational contract is designed from the outset of a business relationship to foster trust and collaboration and includes co-creating a formal Statement of Intent for the partnership.

The Statement of Intent includes a Shared Vision, Desired Outcomes, Guiding Principles and Intended Behaviors. More concretely:

- The Shared Vision is the North Star for the relationship.
- The Desired Outcomes are boundary-spanning business outcomes the parties agree to collaborate on and invest in to drive transformation.
- Guiding Principles are proven social norms used to create the foundation of a Vested partnership. Guiding Principles help guide the parties as they make decisions.
- Intended Behaviors are the behaviors the parties want to promote as part of the relationship. Think of Intended Behaviors as the collaborative culture the parties were trying to create.

The Statement of Intent is used to help contracting parties make fair and balanced decisions during the workshops for creating a Vested agreement. In addition, the Statement of Intent is formally incorporated into the contract and is also used post-contract signing to guide the parties' behaviors when facing challenges and risks that might evoke opportunism post-contract signing. A key purpose of the Statement of Intent is to focus not just the team members, but to direct the companies to avoid the temptation to fall back on power-based or short-term opportunistic behaviors.

The Statement of Intent was a defining deliverable for OneTeam, especially when you reflect that one of the findings from the Deal Review was internal alignment within TechCo was a challenge. The Statement of Intent helped not only align TechCo and FMPro, but also served to align TechCo internally across the various functions and locations.

Figure 13 shares the OneTeam Statement of Intent.

Shared Vision and Desired Outcomes

Fearlessly deliver consistent industry leading customer experience, operational excellence and values to shape a better world.

Will be achieved through our Desired Outcomes

Desired Outcomes				
1. We are recognized as the gold standard of Vested Partnerships	2. Consistently deliver operational excellence	3. Collaboratively deliver TechCo and FMPro's sustainability goals	4. Drive economic value to both organizations	5. Create a fearless environment that attracts and retains inspired professionals and customers

Guiding Principles

Reciprocity	We will make fair and balanced contributions that create mutual value to the parties. We will place no expectation upon the other partner that we ourselves are not willing to return in kind. We recognize that reciprocity lies at the heart of our ability to reach our mutual goals and will ensure that short-term and long-term requests benefit the relationship.
Autonomy	We will be transparent to allow our partner to make good decisions for each party and for the relationship. We combine our strengths to evolve the partnership to a higher level. Our goal is to create a win-win culture through empowerment and trust. Neither party will use its power against either party's interests and those of the partnership.
Honesty	We fearlessly commit to an open and honest working environment, being transparent and truthful in all interactions. Our discussions will be based on facts and not perceptions or personalities. We will collectively encourage giving and receiving constructive feedback even when the conversations are difficult. We encourage authenticity, even if it feels uncomfortable and we will practice psychological safety at all times. This builds a trusting relationship and helps achieve our combined goals.

Loyalty	We will value each other's interests to the same extent that we value our own and will treat them with equal importance. We will seek ways to make the relationship fair and balanced by sharing the burdens of risk mitigation, sharing work while leveraging our respective expertise and disclosing the relevant information to achieve the shared objectives. We will honor our commitments to the agreement to collaborate even when times are challenging.
Equity	In our fast-changing world, we will tackle the challenges we face with proportionality. We will treat risk and reward and pains and gains fairly with respect to value created, risks accepted and investments made.
Integrity	Integrity is not only to talk the talk, but to walk the walk: thoughts, words, decisions, and actions are consistent and aligned with our shared vision, values and Guiding Principles. We commit to the highest ethical standards, put the common interests first and do what is right and not solely what is convenient. Where challenges arise, we will focus on jointly addressing the true cause of the issue instead of assigning blame.

Intended Behaviors

Focus/ Strategy	We will always first consider how our decisions and actions align with our strategy and keep us focused on achieving joint success.
WE-Behavior	We are one team with common objectives and a shared vision. Collectively we solve issues, embrace change, help each other, and drive continuous improvement. We succeed and fail together.
Fearless	We are empowered to speak and act without fear. We encourage and role model informed risk taking.
Ownership	We will individually and collectively take ownership and accountability for our decisions and actions, to achieve our Desired Outcomes.
Innovation mindset	We will proactively pursue innovation to achieve outstanding results, by consistently pursuing and rewarding at all levels.
Pride	We will be proud of everything we deliver. Quality of execution and engagement should be at a level that makes us proud.
Respect	We will be respectful towards one and another. We treat people the way we want to be treated and attack the problem – not the person.

FIGURE 13: ONETEAM'S STATEMENT OF INTENT

Oliver Operations reflects on the process of creating the Statement of Intent: "It was a little bit difficult to understand why we took so much time to get the Statement of Intent right. I got a bit impatient to be honest. But when I got further down the process, I started to understand the importance of getting this right and aligning as a team. It's not just about behaviors; it's going to be part of the contract."

TechCo's Vice President and General Manager for FM Operations – Vince VP - was on the Steering Committee. Vince applauded the power of the Guiding Principles and Intended

Behaviors. “We've got some folks that have skills that we didn't even know they had because we were suppressing them under the old contract. The beauty of Vested is that people now feel empowered. Take (the intended behavior) ownership, for example. It’s just amazing what people can deliver if you empower them and they feel like you trust them and you value what they bring to the table.”

Rule 2: Focus on the What, Not the How

Rule 2 - *Focus on the What, not the How* – is where the parties agree on the overall “what” – the scope and responsibilities for the partnership.

From the get-go the high-level scope was clear: it would include offices, labs, data centers, assembly and test sites, and the manufacturing facilities. The work itself was far-reaching, including services such as cleaning, food services, security, small projects and building maintenance as well as highly strategic work such as strategic planning support and smart buildings.

A Vested agreement changes the nature of how the scope of work is defined by shifting to a Taxonomy and Workload Allocation rather than a conventional Statement of Work. First, there is an end-to-end bilateral view of the work – outlining not only the responsibilities of FMPro, but also TechCo. This helps to clarify roles and seeks to eliminate duplication of effort by assigning accountability to one party – not both. Second, it does not dictate the “how” of what is expected per task item. The rationale is simple: if a buying organization tells the supplier how to do the work, they are by default contractual obligating the supplier to do the work the way it has always been done. Doing it differently, through a clear Taxonomy and Workload Allocation, helps to drive empowerment and increases the supplier’s ability to drive continuous improvement and innovation.

The Core Team collectively created the high-level taxonomy and then tapped into extended team members who worked in smaller functional teams to complete the Workload Allocation outlining who would do which work.

Completing the Taxonomy and Workload Allocation was eye-opening for OneTeam because it highlighted many areas where there was duplication of effort between TechCo and FMPro – in many cases with the TechCo team members micromanaging FMPro.

TechCo’s Alison AsiaOps reflected on this process: “Rule 2 forced TechCo to highlighted the need for TechCo to let go and let FMPro be the experts they are. While there are reasons why we had control mechanisms, we realized if we were going to achieve the cost savings targets we wanted we would have to do things differently and let go and let FMPro do their job without us micromanaging them.”

For many TechCo team members, this would mean changing the focus on their role. FMPro’s division president Patrick President shares, “The role that you take in a Vested relationship is a very different role, both as a buyer and as a service provider. As a client, it's less directive – you've got to trust your partner. A question that often comes up is ‘who let’s go first’? Does the buyer let go so that the supplier can grab hold of the task or does the buyer wait until the supplier can grab hold the task and then they let go? So it's almost like you've got to do it simultaneously. Both parties need to take that leap together. It is a mindset change in terms of the trust.

To finalize Rule 2 the team completed a “Pony Hunt.” In the Vested methodology, a Pony represents potential transformation initiatives the parties want to work on. OneTeam (including extended team members) came up with 35 transformation initiatives. For example, one of the Ponies was to maximize real-time data collection and analysis to enable faster response and improvement in various processes. The Ponies were used to jump start the transformation initiatives the parties would work on. But they were also used to derive the appropriate incentives for FMPro.

Rule 3: Clearly Defined and Measurable Outcomes

The goal of Rule 3 - *Clearly Defined and Measurable Desired Outcomes* – is to help Vested partners determine how they will measure and monitor their success. The Vested methodology uses a tool known as a Requirements Roadmap which links strategic objectives and associated metrics to each of the mutually agreed Desired Outcomes. A simple way to think about the Requirements Roadmap is that Vested buys the future, not just measuring supplier performance on what they are doing today. The Requirements Roadmap is the parties' map to the future.

Recall that in Rule 1, OneTeam aligned on five high-level Desired Outcomes. In Rule 3, the team would put detail behind each Desired Outcome using the Requirements Roadmap. For every Desired Outcome, the team pinpointed corresponding strategic objectives.

In total, OneTeam defined 15 strategic objectives linked to their five Desired Outcomes (**see Figure 14**). The team then mapped metrics to each objective and developed a weighted scorecard the parties would jointly use to track performance against the Desired Outcomes, effectively creating a roadmap for their journey together. In total they had 15 metrics.

Vision	Desired Outcomes	Objectives
Fearlessly deliver consistent industry leading customer experience, operational excellence and values to shape a better world.	**1** We are recognized as the gold standard of Vested Partnerships	1a. FMPro and TechCo co-create industry leading Vested relationship
		1b. Highest level of TechCo and FMPro recognition
		1c. OneTeam to Live into the Vested Principles
	2 Consistently deliver operational excellence	2a. Deliver compliant, incident and injury free work environment
		2b. Deliver interrupt-free facilities services
		2c. Deliver consistent experience and performance across the portfolio
	3 Collaboratively deliver TechCo and FMPro's sustainability goals	3a. Ensure supplier responsibility programs embrace Human Rights across 100% of contracted spend
		3b. Promote inclusive ecosystem throughout supply chain and regional teams
		3c. Reduce our overall environmental impact through our Sustainable Program
		3d. Enable positive change within our communities through volunteerism, internships, and apprenticeships
	4 Drive economic value to both organizations	4a. Create a "win-win" flexible commercial model to achieve lasting TCO reductions
		4b. Leverage technology and innovation to deliver value (economic, operational, etc.)
		4c. Grow B2B opportunities which deliver mutual value
	5 Create a fearless environment that attracts and retains inspired professionals and customers	5a. Deliver Transformative Customer Experience
		5b. Attract and retain Top Talent Across the Account

FIGURE 14: ONETEAM'S REQUIREMENTS ROADMAP (LEFT-HAND SIDE)

A FMPro's Regional Account Director – Danny Director – reflects on the process of identifying the appropriate metrics to use. "It was quite challenging to define the metrics and associated targets. We were trying to be aggressive but also reasonable enough to feel comfortable that we would be able to meet the targets. So finding that balance between aggressiveness in the targets and something that is achievable and reasonably was difficult, but we managed to do so."

He continues: "The Requirements Roadmap, strategically speaking, is extremely important to get right. It gives you a framework. You know where you're going, you know what the summit is, so it becomes easier to choose the trail that you're going to walk today and tomorrow because you know where you're going."

Recall from Figure 14 that Desired Outcome #4 focused on driving economic value. As the team began to drill down on this Desired Outcome they cascaded into the objective to achieve lasting Total Cost of Ownership (TCO) reductions.

While achieving TCO reductions is easy to say, it would mean significant change for both TechCo and FMPro. Why? True TCO requires full transparency on both sides, which was challenging for an organization like TechCo that isn't used to sharing its financial data with suppliers. To help make the transition, OneTeam agreed to take a phased approach towards TCO, which they called 'the onion' (**see Figure 15**).

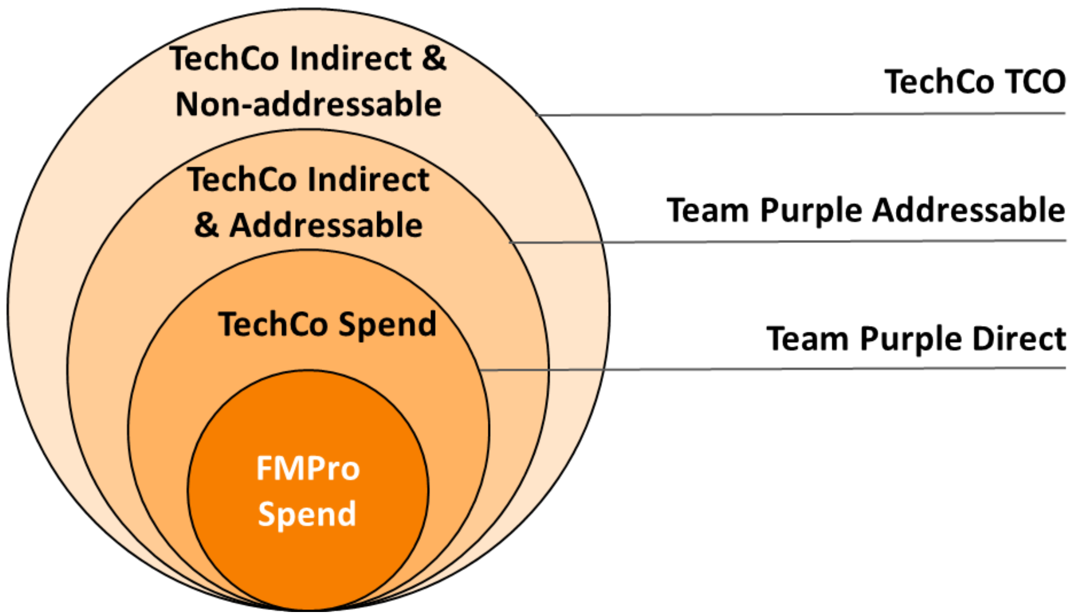


FIGURE 15: ONION VISUAL FOR TCO POTENTIAL

To put TCO in context, let's look at the difference between "direct," "addressable," and "TCO".

- **OneTeam Direct** spend refers to TechCo's IFM program which includes the money paid to FMPro, internal TechCo costs and budget for other costs not covered under the FMPro contract.
- **OneTeam Addressable** spend means money TechCo spends that is outside of the historic baseline and scope of base services but are within the potential remit of OneTeam to deliver potential savings and value to the TechCo IFM program.
- **TechCo TCO** reflects a comprehensive assessment of all costs (both direct and indirect) across both TechCo and FMPro in relation to the scope of the agreement over time.

For reference, TechCo's spend with FMPro is just slightly over 25% of the overall TCO.

Because unlocking TCO is often challenging, OneTeam agreed to "peel off" layers of the onion periodically, opening more potential for value creation over time. The logic was that it would allow TechCo the time to adapt to the concept of sharing data and to ensure the data could be extracted in a clear and usable format. Simultaneously, it provided FMPro with a promising outlook for future collaboration because there were numerous Ponies that would unlock the value by focusing on TCO..

Rule 4: Pricing Model with Incentives to Optimize the Business

In conventional outsourcing, companies purchase services for a transactional fee (cost per hour, per unit, per shipment, per work order, 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: the better the service provider helps their client achieve the Desired Outcomes, the more incentives the service provider earns.

A key attribute of a Vested pricing model is transparency with a *"cost-is-the-cost"* mantra. Full transparency enables the parties to identify the true cost drivers for both organizations and to create a model that incentivizes FMPro to drive down costs and reward FMPro for achieving non-cost-related Desired Outcomes.

Co-creating a pricing model is typically the hardest part of creating a Vested agreement – and this was no exception for the TechCo/FMPro Deal Architect Team. Alison AsiaOps shared the process of creating the pricing model often felt uncomfortable. "It was kind of an open kimono approach which we had to go through. We knew we needed to open up and be highly transparent, but at this stage we were still hiding behind walls. As a client, we had to put all our cards in front of the supplier, while FMPro had to put their margins on the table so that we could come to a meaningful pricing model that would be win-win for both parties. It took time, practice, and trust to be built in as worked through putting the Vested theory into practice."

But it was also uncomfortable for FMPro. FMPro's Patrick President explains, "Most contracts are centered around the client. What benefits the client, and what would make them successful. The biggest change in Vested is you've got to think about how both the client and the service providers wins. For both of us, it was a significant mindset shift to suddenly have a seat at the table and actively participate in determining what was fair for us as a service provider. And you must be willing to be fully transparent with your margins, something that is not common in our industry."

OneTeam carved off a smaller pricing taskforce to build the actual pricing model. The model itself followed the "four bucket" pricing model framework consisting base services, other services (work that could not be easily budgeted), governance and transformation (**see Figure 16**).

Some of the tasks included:

- align the various cost drivers into the appropriate buckets – leveraging the Taxonomy and Workload Allocation
- determine fair profit targets for each bucket (UT's guidelines are 50% of the market margin and up to 3x market margin for incentive upside).
- align a mix of monetary and non-monetary incentives from the Requirements Roadmap with some being tied to performance against "base" services and others being tied to achieving transformational and governance objectives.

Service Delivery			Transformation
Base Service	**Other Services**	**Governance Structure**	**Transformation Incentive Framework**
Workscope as identified in Taxonomy/Workload Allocation Reimbursable Cost Pass Through at no markup plus Management Fee	• Services with unkown or variable volumes • One off projects Reimbursable Cost Pass Through at no markup plus Fee using pre-agreed rate card	• Cost associated with manage the business and relationship • Key personnel • Travel costs associated with governance • Other governance costs (onboarding) • Management Fee	• Transformation initiatives consisting of • Continuous improvement projects • Transformational projects on Base and Other Services • Transformational projects on TCO/Addressable Spend (layers of TCO onion phased in)
• Monetary Incentives based on performance on 4 operational metrics			**• Monetary Incentives for** **• Share of cost savings on Base/Other Services** **• Share of value for transformation initiatives**
Non-monetary Incentives: **Contract extension, publicity and potential scope expansion based on performance**			

FIGURE 14: PRICING MODEL FRAMEWORK

It is important to understand a Vested agreement is not simply a performance-based contract where the suppliers' incentives are tied to operational performance. A key difference is that suppliers are highly incentivized to deliver on transformational goals (the far-right bucket).

In addition to monetary incentives the contract includes non-monetary incentives. One powerful incentive is the earned contract extension where FMPro has the opportunity to earn a contract extension based achieving goals in the Requirements Roadmap. FMPro's Patrick President explains what this means to FMPro: "Any mid-term contract extension is of tremendous value to us. It hardly happens in our contracts. It is very motivating to our teams, that when they perform well, they are rewarded by a contract extension, instead of a contract that is slowly fading in front of them in term of years remaining. It's such a motivation for both sides to perform well, it's just brilliant."

Rule 5: Insight Versus 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 is 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 (**see Figure 17**).

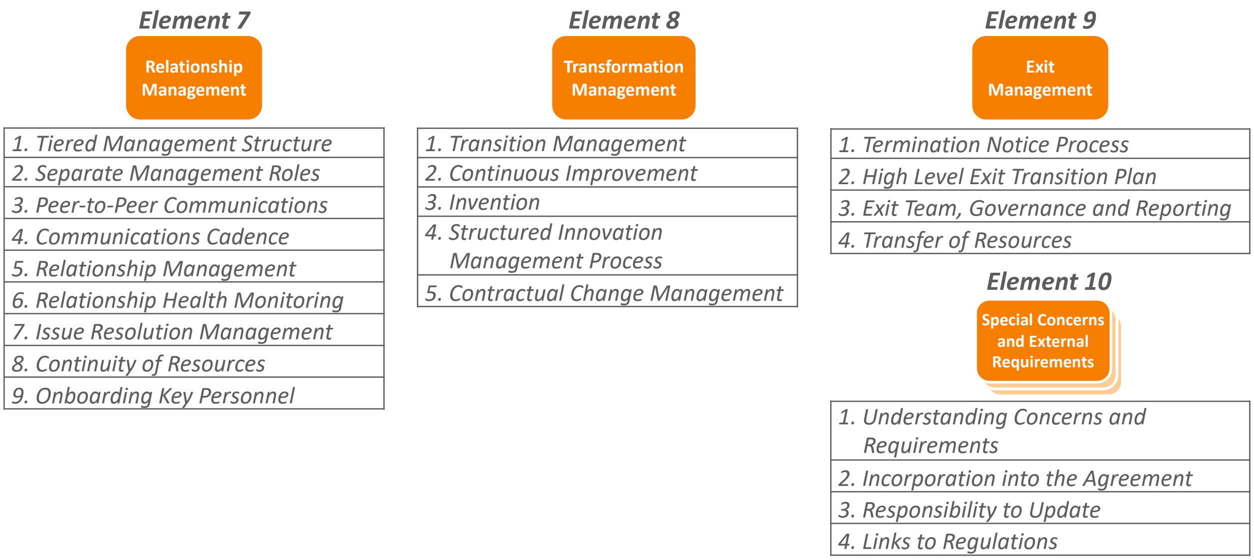


FIGURE 15: DESIGN PRINCIPLES FOR RULE 5 - INSIGHT VS OVERSIGHT GOVERNANCE

For example, under Element 7 (Relationship Management) Design Principle #1 (Tiered Management Structure), OneTeam designed a four-tier governance structure with an Executive Review Committee (top-to-top leadership meeting every 6 months), Super Regional Joint Steering Committee (meets quarterly), a Super Regional Joint Partnership Team (meeting monthly) and Regional Governance Teams which meets every other week. At site level there is day-to-day cooperation. See **Figure 18** for a total overview of this structure.

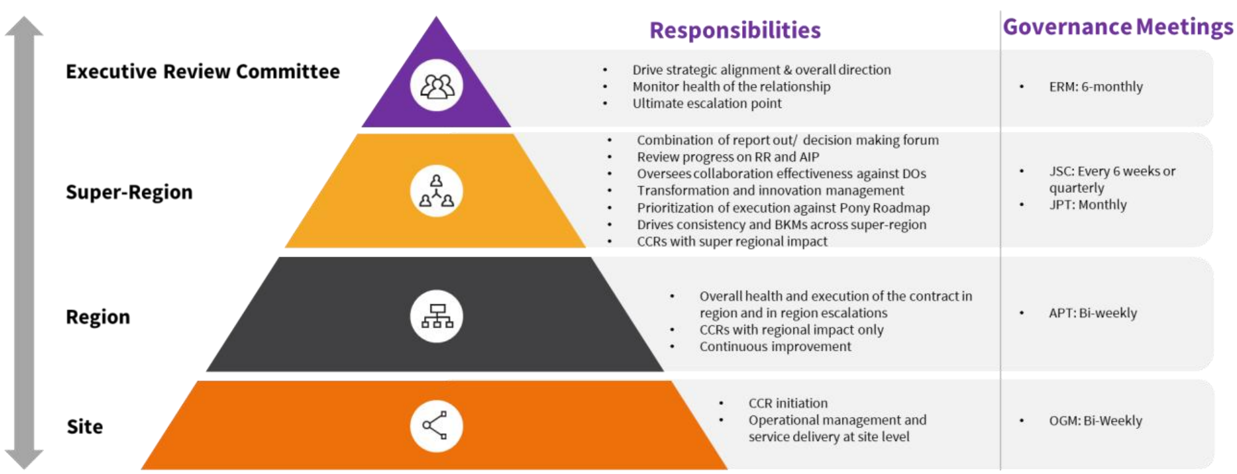


FIGURE 16: TIERED MANAGEMENT STRUCTURE

TechCo's Vince VP was on the Executive Review Committee and reflects on their governance structure from the APAC perspective. "We never miss these meetings. Even with all the changes we've had, we keep the cadence going - which is something we are proud of. People have come and gone, but the meeting cadence stays and everyone is there."

Vince adds, "We have a standing agenda, and in addition at the end of the meeting there is a part where we agreed that we can disclose anything and everything stays within these four walls. No minutes are captured, and this is where we talk freely to each other about where have any concerns."

Creating the Baseline

A key part of the project plan that ran simultaneously with the Five Rules workshops was creating a detailed financial and operational baseline. The baseline is the starting point – both in terms of economics and performance – and is essential for helping define the targets against the Desired Outcomes.

Typically the baseline is done the first few months after the contract is signed for new relationships and is done in parallel to developing the contract for existing relationships where data may be more readily available. OneTeam's project plan called for the baseline to be done in parallel to the creating a Vested agreement process as the information would be needed to feed into the pricing model. However, the magnitude of work was much larger than expected due to the fragmented region and site level budgets and lack of good TCO information (the onion graph shared in Figure 16). The team went on to finish the baseline shortly after the contract was signed. Which, in some cases, required them to adjust some of the established targets as well.

Finalizing the Contract

The Vested methodology calls for organizations to draft the contract in parallel to the "rules" being established in the workshops. written. In practice this means when a team has finalized a "rule" and gotten sign off by the Steering Committee, the decisions are documented in the parties' formal contract.

OneTeam did this by creating a contract drafting workstream with a subset of the Deal Architect Team. The team also included the legal representatives from each organization.

Recall from the Deal Review (in Part 2) original contract fell quite short of following the Vested Five Rules. **Figure 19** shows the "before and after" contract review of just how far the Deal Architect Team drove changes in the contract.

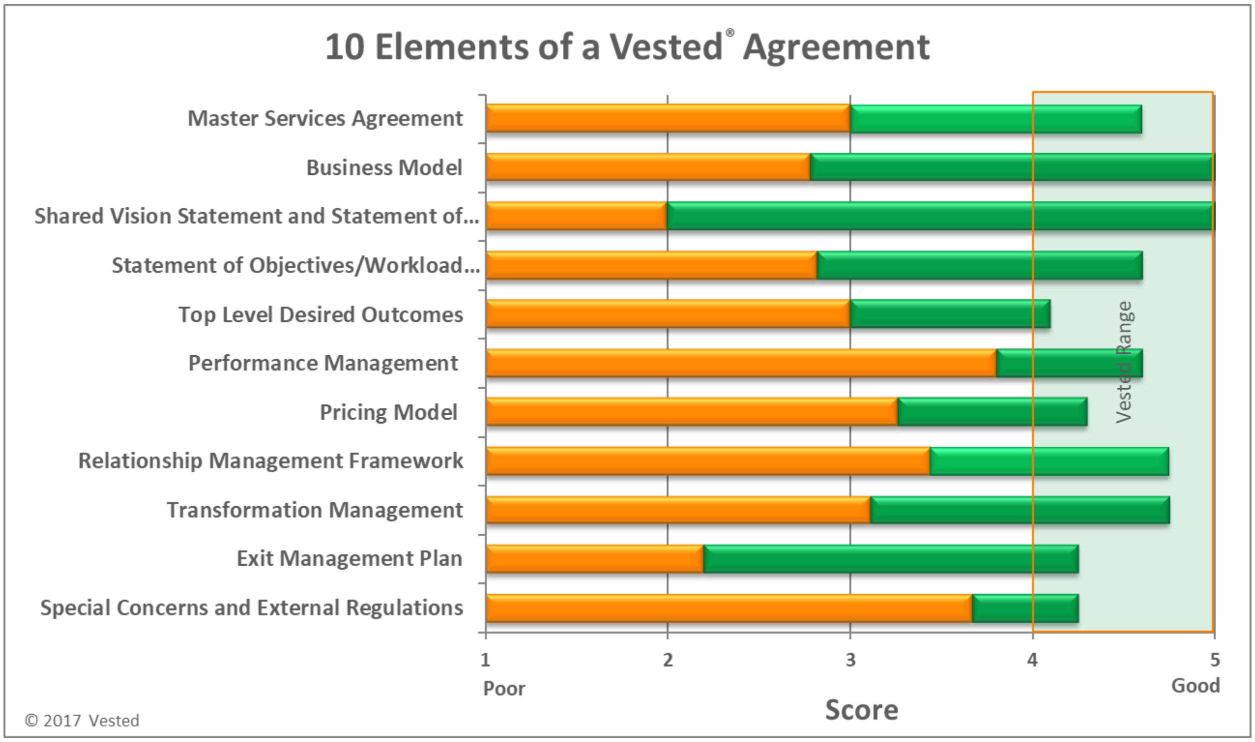


FIGURE 19: BEFORE AND AFTER CONTRACT REVIEW

PART 5: MEASURING THE SUCCESS - THE RESULTS ARE REAL

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

Shifting to a Vested model enabled FMPro to continue to enhance the level of services of the contract resulting in continued recognition of FMPro's performance through TechCo's distinguished supplier award. In addition, FMPro achieved all the goals necessary to earn a contract extension – something never done before in their previous 10-year relationship.

TechCo's Chief Operating Officer applauded FMPro saying, "FMPro stands out among suppliers. Their customer orientation and commitment to excellence is a testament to their dedication and serves as a global benchmark for others to follow."

Figure 20 shows the results after the first three years.

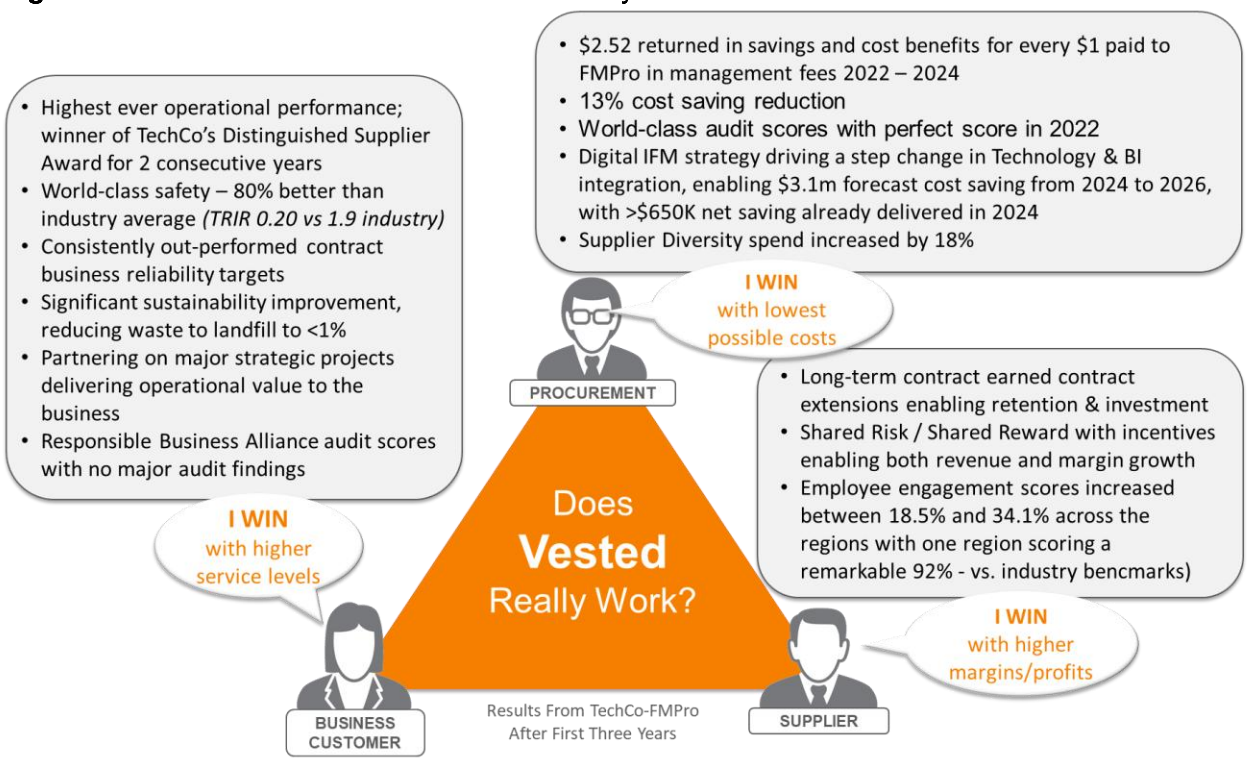


Figure 20: Summary of Results

TechCo's Vince VP had worked for TechCo almost 35 years and shared his enthusiasm for TechCo having the courage to make the shift to Vested: "I'm very proud of everything that this team has accomplished along the Vested journey."

Innovating for Success: Finding Ponies

So just why are Vested agreements so successful? One reason is the parties are aligned on mutually defined Desired Outcomes and committed to finding Ponies. And when team members find Ponies it brings win-win benefits.

Ponies come in all sizes. For example, one of low cost and easy to implement Pony came from a location in India where FMPro maintains and operates the electrical infrastructure at the site which includes all critical systems for the Labs and Data centers at the site. As part of safety-first drive, a team was tasked to look for a cost safer way to operate the ABC switches which require energization and de-energization locally which posed a risk of personal injury from an ARC flash or malfunction.

The team developed a cost-effective solution that provides remote on/off tripping of the ACB's including motorized rack in/out to a safe position which reduced risk of personal injury. The low-cost solution (less than $50 to implement) also saves time by reducing switching time by over 50%. An added benefit? The solution is easy to implement and can be replicated across other TechCo locations.

Many Ponies come from the joint technology roadmap. This is important when you consider digital transformation can be a critical enabler in improving operational efficiency, reducing cost and making data-driven decisions. In the first year of launching the Digital IFM program OneTeam delivered several initiatives generating more than $650k in net savings in 2024 with additional costs savings forecasted at more than $3million through 2026.

TechCo's Vince VP commented on the success of leaning into innovative technology solutions coming out of the technology roadmap. "Many of the things that have been very helpful for us are the new technologies that FMPro has brought to the table and has introduced for us. Proposing equipment that helps us detect whether the bearings and the motor are going to fail prematurely, or software programs that help us monitor the frequency of work and how we can use the software and apply it to drive better manpower allocation."

FMPro's Allen AcctExec shares the power of digital solutions goes beyond simply efficiencies. The real value? "We've got far better analytics. We can analyze the statistics and do strategic changes based on these statistics, optimizing the solutions for TechCo."

In total, OneTeam implemented over 10 Ponies in the first year alone. He adds, "Team members are now much more fearless in trying new things in the pursuit of trying to have a positive impact on OneTeam's Desired Outcome."

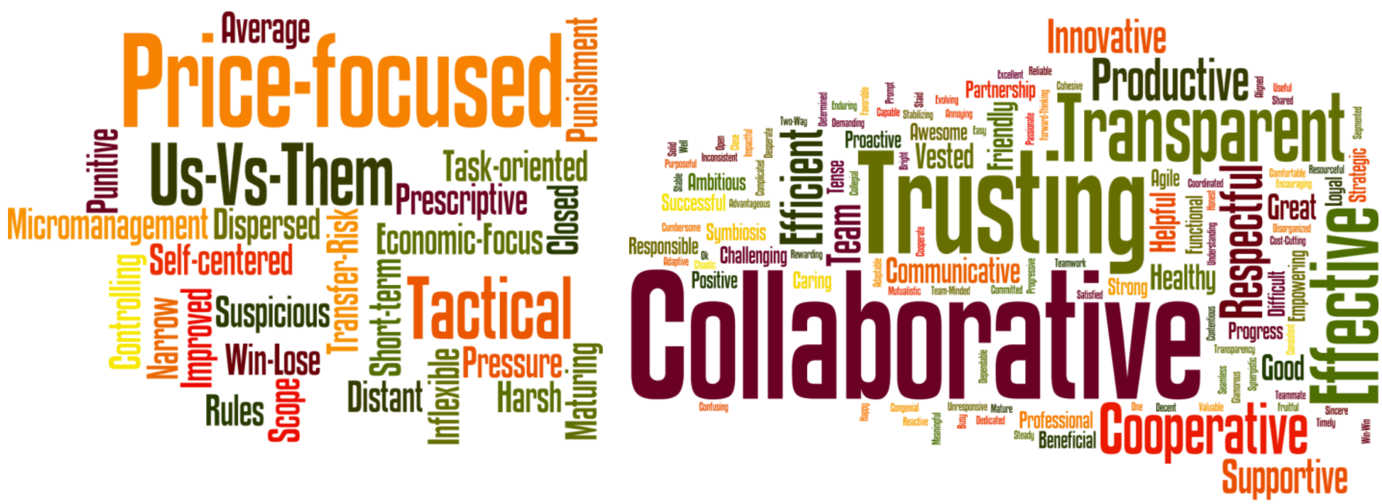
A Culture Shift: From ME to WE

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.

But what does this really mean in practice? Team members that are far happier. The team members were asked to share three words to explain the difference between the situation before and after Vested, and it shows an immense change. Although the 'old situation' wasn't bad at all, the difference in behavior and mindset are impressive. Words like self-centered, micromanagement and procurement-driven are now replaced with positive words like excitement, partnership, impact, trustful and transparent. (**Figure 21** shares a before and after Word Cloud)

FIGURE 17: BEFORE AND AFTER WORD CLOUD

BEFORE VESTED AFTER VESTED



TechCo's Vince VP described the change he witnessed at the site level. "Previously the role of FMPro was that of pure service provider and doing what TechCo employees required of them. Now, with Vested, FMPro engineers join meetings, reporting directly to senior-level managers, where previously, we wouldn't even let them in the room. Now they're running meetings and taking on budget ownership."

Vince also loved seeing how trust has risen significantly, giving an example: "One of my team members recently shared the immense trust he has with his FMPro electrical engineer. He said, "I trust him 100%.' And I just thought, wow. I would never have believed I would have ever heard that coming from this person."

Freddy Finance - FMPro's Global Finance lead for the TechCo account shares a supplier's perspective. "The openness of both parties towards each other is mind-blowing. It makes such a big difference in the day-to-day cooperation. It helps us understand each other's positions better, jointly come up with solutions, and create opportunities."

FMPro's Pam President agrees: "The consideration TechCo has for us as the service provider in this relationship, is priceless. They really value us. And when we feel valued, our top talent wants to come work here."

Oliver Operations is impressed with the resilience and flexibility of the Vested agreement. "We have been through several tough times including COVID and extreme cost-cutting pressure. Our Vested relationship with its flexible win-win contract framework helps us collaborate and continue to outperform expectations during tough times."

Another benefit of a healthy culture is more engaged team members - which can be measured. FMPro benchmarks employee engagement worldwide and the engagement index increased between 18.5% and 34.1% across the regions – with all regions being above regional benchmarks. One region scored a remarkable high 92% - considered worldclass - compared to the 69% external benchmark.

PART 6: LESSONS LEARNED AND ADVICE FOR OTHERS

For both TechCo and FMPro, their Vested journey has been an amazing transformation from good to great. Team members validate what University of Tennessee faculty often say: Vested can help you change the nature of an outsourcing relationship where 1+1 can equal 11.

But in any journey where there is a large amount of change management, it comes with lessons learned. We asked team members to reflect on where they struggled and to share their lessons learned and advice so others may benefit from hindsight.

Below is a list of the Top 10 tips for organizations considering making the shift to Vested. The tips are aligned by the phase of a Vested journey.

Making the Decision to Go Vested	Getting Ready for the Journey	Creating Your Vested Agreement	Living into the Agreement
1. Cultural Fit and Trust essential 2. Committed leadership and team members	3. Be really ready (move slow to move fast)	4. Be fearless 5. Focus on the long term 6. Transparency is key 7. Focus on TCO	8. Be ready to let go 9. Don't skimp on transformation managers 10. Don't underestimate onboarding

Let's dive deeper into each of the tips.

Making the Decision to Go Vested

1. Culture Fit and Trust is Essential

When making the decision if Vested is right for a strategic partnership, cultural fit and trust are essential. Recall from Part 2 the findings from the Compatibility and Trust assessment showed the cultural fit was quite high. This was a key reason why TechCo felt comfortable moving forward waiving the traditional competitive bid process, and creating a Vested contract.

Oliver Operations witnessed first-hand the strong cultural fit. "While it was easy for to 'feel' the cultural fit with FMPro, the CaT helped quantify the concept of strong cultural fit."

Oliver's advice for organizations thinking about making the shift to Vested? "Be very careful with the partner that you're choosing. It's very important that the core values of the company's match. If the parties don't share the same values, it will not work because it's a people game. If there is trust it is much easier for everything else."

2. Committed Leadership and Team Members

The OneTeam Deal Architect Team stresses you've got to have senior management buy-in and committed leaders. "Senior leaders have to understand what they're signing up for and must have the right mentality. The education piece is really, really critical so the leaders from both organizations know what Vested is and how it works," said Sally SupplyChain – TechCo's Supply Chain Director.

Freddie Finance's advice? "Have both the buying and service provider organizations have their senior leaders go through basic awareness and understanding training so the senior leaders truly understand what Vested entails." He warns, "It is important to make sure key stakeholders who need to support the team doing the work not just say yes because Vested sounds like a good idea – but know enough to support the Deal Architect Team."

Not having some key functional stakeholders on board from day one was a hard lesson learned for the Deal Architect Team because sometimes they felt senior leaders who did not invest the time to learn Vested would retreat to win-lose behaviors during the process.

A good example was not having full knowledge and buy in from TechCo's legal team that a Vested agreement is a formal relational contract founded on a what's-in-it-for-we mindset.

Paula Procurement shared the following insight: "The TechCo legal department is much more acquainted with writing a punitive contract and didn't have experience writing a relational contract. So while they were supporting our Vested agreement, it put the lawyer supporting our team in a tough spot because on one hand they are part of a team that is creating a win-win contract, but on the other hand they work in a department where the focus is all about limiting the risk for TechCo and pushing over risk to suppliers." Their root cause was insufficient buy-in from Legal.

TechCo's Vince VP – one of the biggest champions behind the shift to Vested – was sad the team ran into these frustrations but was glad they preserved. "It's not like we're holding the crown jewels of the company, we're running facilities, equipment. There was nothing confidential or secretive about what we were doing. But what the team was doing was simply not how it was done before. It was new. And following a different approach for different contracts was something that wasn't done before either. But the team worked through these challenges which has led to much more flexibility and huge success."

Vince adds: "Today there's a much more pragmatic approach from legal, finance and procurement's perspective. I've seen that transformation happening and it's so important because we couldn't be doing what we're doing now without their support and their endorsement."

OneTeam encourages organizations considering making the shift to Vested follow this advice: "If leaders don't properly support the Deal Architect Team or deviate from the intended behaviors, they provide an opportunity for team members to do the same. This creates confusion and uncertainty where the team doesn't have a consistent view on the strategic direction, nor the boundaries to work within."

Freddie Finance warns when this happens "the design process becomes much more challenging and time consuming than it needed to be."

How much more challenging and time consuming? For OneTeam the original seven-month timeframe wound up taking almost a year.

Getting Ready for the Vested Journey

OneTeam spent six weeks in the Getting Ready phase. Although the parties jointly did a lot of work getting ready for their Vested journey, they openly admit readiness should have gotten even more attention.

This is why the lesson learned for the Getting Ready phase is "be really ready". Simply put, it is easy to jump in, especially since people are often impatient to get results. However, the wise thing to do is to move slow during the readiness phase in order to move fast when creating a Vested agreement.

3. Be Really Ready

One of the biggest lessons learned from the Getting Ready phase was the importance of getting the right people on the Deal Architect Team from the beginning. A good example was some of the TechCo financial and commercial experts did not join OneTeam until Rule 4 when it was time to create the pricing model. Team members reflected why this was a mistake. "These newer team members were not there since the beginning and didn't have the essential background and the relationship spirit that we had created up until that point. Simply put, it was very difficult for them to jump into the highly collaborative and transparent Vested Way of working compared the original team members."

One team member provided insights into why this was so important. "A Vested model requires transparency. This meant a different approach from finance, but also from procurement. We had to open up and be transparent. We win together, we lose together. Some members who joined the team late initially had a hard time wrapping their head around that concept. It was something they'd never done before, and which was 100% opposite of what they used to do."

Charlie Commercial - the Executive for Commercial at FMPro - warns of the danger of bringing in team members – especially lawyers and commercial team members – into the process late in the game. "There is often an existing mindset when you have an existing contract and often the mindset 'we have something existing that is working so let's use that.' Working on getting the mindset of people in the right place at the start will exponentially speed things up. Following the training is an important part of 'getting ready'."

Allen AcctExec stresses this too: “Really make sure you're ready! It’s a shame if you start and do so much work just to realize in Rule 4 that you cannot follow-up on it. Because as soon as it starts being commercial and as soon as it comes down to money, people show their real colors.”

Creating a Vested Agreement

4. Be Fearless

OneTeam knew that Vested would require many changes – both in the mindset and the practices of how they worked. This is why they included ‘being fearless’ in their Shared Vision and as one of their intended behaviors. It’s also why team members suggest this as one of their top pieces of advice.

Charlie Commercial explains a commitment to being fearless is foundational in the culture and behaviors OneTeam wanted to promote. “If individuals do not behave according to what we agreed in our Statement of Intent, we need to take action. Either we educate them, or if they simply don’t fit the mindset and we have to replace them. This takes courage, and we need to be fearless.”

But being fearless is not always something that comes naturally – especially to team members working at FMPro. FMPro’s Danny Director shares, “In the beginning I was a bit reluctant to speak up in some of the discussions, especially in the commercial space. But looking at the list of Guiding Principles we agreed upon, like transparency and honesty, I was encouraged to speak up anyway. I had to change my behavior. But now our Statement of Intent is the foundation of our relational contract and it is my obligation to speak up.”

TechCo’s Vince VP loved the fact that OneTeam picked being fearless as one of their intended behaviors. “The first thing I'll tell people is to stop being so risk adverse. Because it simply won’t get you far if you want to change the status quo. We need to innovate, drive change, and take informed risk taking. Sometimes the only way you learn is to fail. But you've got to be able to accept that.”

5. Focus on the Long-Term

Another recommendation from OneTeam members is to focus on the long term rather than the short-term. And this is easier said than done, as most internal targets are set for short-term results.

Sally SupplyChain at TechCo stresses “Everyone has to understand that when you shift to Vested you're in it for the long term. It’s not just a long-term contract, but an investment in one another underpinned by a long-term focus on making an investment that will yield high ROIs for both parties.”

FMPro’s Danny Director adds being long term is about optimizing across the entire playing field. “Vested requires a different focus and different type of decision making. We need to think about the long-term effect of decisions, measuring TCO and ROI instead of short-term results. We can optimize the current way of working, stay sustained, and then focus that energy and that brainpower in finding a way to sustain that performance level with a much lower cost through innovation and technology."

Alison AsiaOps chimes in that reframing with a long-term view means thinking through things before you jump, pointing out that Vested is not for everyone. "You need to make sure that you understand your strategic vision, as you will be in it for the long term. And it won't always be an easy walk. There are going to be tough conversations, there are going to be hurdles, there are going to be elephants in the room which you need to discuss. You need to have a strong governance team in place to manage through for the long-term to get to the amazing results."

6. Transparency is Key

Transparency is an enabler to creating trust. Freddie Finance explains: "When the interests are aligned, Desired Outcomes become much more appealing for both sides. But the interests can only be aligned if you are transparent. Only then you can start solutioning for a win-win model."

He explains a supplier's perspective. "Being transparent has historically been considered 'a dumb thing to do, as you give away all your power'. You can imagine this was a real mindset shift for us. But transparency is necessary to be successful."

Freddy continues with an example: "Just recently TechCo made the company-wide decision to extend the payment terms of all suppliers. It has a huge impact on our cash position. And with our 'the cost is the cost' pricing model, these costs find their way back to TechCo anyway. By transparently calculating and sharing the consequences we managed to find a solution."

Oliver Operations adds: "We had a hard time explaining our reasoning and trying to convince our colleagues that we didn't want to push FMPro to a long payment term because that impacts them in A, B, C, D, way which ultimately costs TechCo money down the line. These were some though discussions, but transparency was the key here."

7. Focus on TCO

One of the struggles TechCo and FMPro have had to overcome is how to incorporate Total Cost of Ownership (TCO). TCO moves beyond price and factors in the overall cost of a product or service throughout its life cycle, both the supplier's cost as well as the buyer's cost.

In a Vested agreement the buyer and supplier unlock TCO by collaborating on initiatives that reduce costs over the long term – not just reducing the short-term price paid. For example, FMPro does not control the utilities spend. However, the work they do can have a significant impact on improving energy utilization and thus can significantly impact TCO.

The shift to TCO requires the buying company to share insights in their cost structures and data so the supplier can find potential opportunities for cost optimization – or even better contributing to the client's revenue. During Rule 4 OneTeam spent a lot of time discussing and exploring TCO.

The result was the TCO onion concept (see Figure 16), clarifying the layers of cost in managing all aspects of TechCo's facilities management operations. OneTeam was very much aware of the difficulty they would have to get insight in the TechCo cost data. For this reason, they agreed on peeling off the layers of the onion over time.

OneTeam has two key lessons learned in their quest to unlock TCO.

One way TechCo is both leaning into the Vested partnership as well as contributing to TCO reduction is in how they are managing additional scope. Sally SupplyChain shares "I would say the biggest thing we've accomplished in this area is in how we are managing new sites coming on. In the past, we would go bid it out to make sure we were getting the best price. But now we consider FMPro to include this work in their scope. Considering FMPro saves us time and a lot of transaction cost, and it serves as a catalyst for additional innovation as the playing field is larger. In terms of TCO this makes perfect sense".

Freddie Finance is happy OneTeam is beginning to make progress on TCO. "We are slowly moving into the right direction. We are receiving bits and pieces of cost data over time." FMPro's Allen AcctExec is hopeful TechCo will accelerate their efforts because "There is a lot of untapped potential and so many areas where we could add benefit to TechCo. Getting insight in TechCo's data will make it possible to offer the best solutions."

Even though OneTeam is starting to move the needle on TCO, team members agree there is much room to grow.

The second lesson learned stems from the organizational set-up within TechCo. Allen AcctExec shares the frustration OneTeam is having. "There are many departments and sites, all with their own stakeholders, decision makers and budgets. When we are coming up with transformation initiatives that impact TCO, it is extremely hard to get somebody to share the necessary data and support a TCO analysis to justify a more longer-term approach that optimized for TCO instead of a short-term price. Then the next hurdle is to get someone to approve the initiative."

For those looking to make the shift to Vested, FMPro's Patrick President recommends "Both organizations need to understand Total Cost of Ownership, and there needs to be buy-in to the win-win mentality. Otherwise you'll just end up where you've always been. You don't leverage the whole, you don't leverage the supplier as part of this whole, and you miss out on the potential."

Living into the Agreement

8. Be Ready to Let Go

Vested Rule 2 is “Focus on the What, not the How” and Rule 5 is “Insight vs. Oversight Governance Structure”. Both require a shift from command-and-control cultures to one that leverage autonomy. OneTeam has two lessons learned in this area.

The first is to be ready to let-go of old behavior. When OneTeam took the leap into a Vested agreement one of the first things they did was draft their Statement of Intent which included six Guiding Principles. One of those Guiding Principles is autonomy. Recall from the Statement of Intent, OneTeam’s definition for Autonomy is:

> *We will be transparent to allow our partner to make good decisions for each party and for the relationship. We combine our strengths to evolve the partnership to a higher level. Our goal is to create a win-win culture through empowerment and trust. Neither party will use its power against either party’s interests and those of the partnership.*

While OneTeam adopted the Guiding Principles, it did not automatically mean the entire organization agreed, understood, or followed the Guiding Principles. In fact, the scope of work spans over 220 locations across 27 countries which means being ready to let go of old behaviors is not an easy job. With this in mind, OneTeam’s advice? Make sure your organization is ready to let go of old behaviors and replace them with intended behaviors outlined in the Statement of Intent.

The second lesson learned is to be ready to let go of micromanagement of the supplier from the buyer’s side. In Rule 2, parties create an end-to-end Taxonomy and complete a Workload Allocation. This almost always identifies duplication of effort – what is commonly known as a “shadow organization” where the buying organization retains employees to ‘manage’ (or all too often micromanage) the supplier.

TechCo had a large shadow organization before Vested and is working hard to streamline their organization. But this requires TechCo to “let go” of work where they are micromanaging FMPro. FMPro’s Danny Director puts this into context: “Previously there were certain sites where TechCo employees were very protective. It was their kingdom. And they were very defensive to protect their kingdom. It almost felt that we were doing something that was threatening to them. Like, “Why are you doing this? Who are you? No, I'm taking care of this.”

One of the things that significantly helped was how TechCo’s Vince VP helped champion the mindset shift. “The first thing was that I guaranteed to all my people that no one was going to lose their job because of this new contract. When people left or moved to another position we would backfill them with FMPro people, but I wasn't going to force anybody out. The other thing I also told them was that if FMPro fails, I'm holding you accountable because at the end of the day, they work for you. They're just an extension of you, and if you're not going to make them successful, then you are not going to be successful, so don't ever lose sight of that.”

Vince VP is proud to report that TechCo has learned how to let go over time. “The mindset today is let’s solve the problem and it doesn’t matter whether it's an TechCo person or a FMPro person who has the accountability for the work.”

FMPro’s Patrick President explains why learning to let go is so important. “If a client has a shadow organization, they won't attract the best talent from FMPro. Rather than attracting people who are self-motivated, confident and good at their work, clients who can’t learn to let go often attract people who like supervision and handholding to get their job done. The issue is amplified because it’s both inefficient in that you have a duplication of effort, but you are also not attracting the best talent.”

9. Don’t Skimp on Transformation Managers

Three years into the Vested partnership team members have learned a lesson they would like to share: Don’t skimp on Transformation Management resources.

The Deal Architect Team originally designed the partnership to have two full-time team members (one from each company) who were dedicated to managing OneTeam’s transformation initiatives. Having a dedicated two-in-a-box pairing to manage transformation management is a required design principle for qualifying as a Certified Vested Deal.

However, when TechCo faced extreme market pressures in the spring of 2024, the TechCo CEO mandated extensive cost-cutting measures to reduce costs. An easy way to cut costs was to eliminate the Transformation Manager roles. At the time it seemed like an easy way to cut costs. But remember tip 7 on TCO? Saving money on Transformation Managers is a short-term fix with a long-term negative effect.

The result? OneTeam lost traction and saw the number of Ponies diminishing. FMPro’s Freddie Finance explains the impact of this decision. “TechCo is such a complex organization with so many stakeholders with different budgets, that it is just crucial to have an TechCo person help manage changes internally, and break through some of these walls.”

Fortunately, leaders such as TechCo’s Vince VP fought to get the Transformation Managers back in place. “We now have a Transformation Manager two-in-a-box in place where the FMPro account director responsible for transformation works with an TechCo counterpart. They are both positioned at the same level, as senior leaders in our organizations. They jointly bring ideas to the table and decide which ideas will add the most value. Together they are jointly responsible for driving change and implementing the initiatives across the organizations.”

10. Don’t Underestimate Onboarding

Onboarding is the act of ramping up team members on Vested what’s-in-it-for-we mindset and how to follow the Five Rules. Once companies sign their Vested agreement there is an initial onboarding process where team members that were not on the Deal Architect Team learn how to live into agreement. A key part of rolling down the Vested way of working is ensuring people understand the Statement of Intent. This means understanding the Shared Vision and Desired Outcomes as well as the expectations and commitments to adhere to the Guiding Principles and Intended Behaviors.

TechCo Alison AsiaOps explains: “I have young kids, I love playing Lego with them, so I’ll use that analogy. Each of the individuals represent a Lego block, jointly forming a big construction. Anytime that any Lego block doesn’t fit properly, your structure is not going to be steady. Therefore, making sure new individuals are properly onboarded is fundamental for success.”

Initial onboarding in a Vested agreement the size of the TechCo-FMPro contract is no small task. While there were 14 people on the initial Deal Architect Team, there were another 1,000+ team members across Europe, Asia Pacific and Middle East that would need to ramp up on the Vested way of working.

As part of their Vested contract OneTeam drafted a clear onboarding plan where a two-in-a-box (one team member from each company) would be responsible for driving the onboarding process. The initial onboarding is typically considered part of a formal transition plan and OneTeam got out of the gate with the initial training somewhat well.

But just doing an initial training and telling people they need to act with a Vested mindset does not necessarily mean they will automatically change the way they work. Take for example the mindset shift when approaching continuous improvement and transformation management initiatives in which FMPro could earn significant incentives. When team members have not been onboarded properly, they often fail to live into the intent of the relationship.

TechCo’s Oliver Operations explains how TechCo struggled when team members were not onboarded properly. “Originally there were always discussions: ‘It's our idea. It's our decision, FMPro didn't contribute anything’ The thinking was if it was TechCo’s idea, then TechCo didn’t have to pay out incentives to FMPro. I found myself explaining that it doesn’t matter whose idea it is. We are in this together. Yes, it might be an TechCo idea, but we need FMPro to execute, manage stakeholders and implement the idea. We need each other to get the value, so it doesn’t matter whose idea it is. A what’s-in-it-for-we mindset is crucial if we want to reach TCO, because without this mindset transformation ideas will not come.”

Getting the original onboarding right was only part of the challenge. Business is dynamic, with team members coming and going over the life of the partnership. Employee changes are to be expected – especially in the facilities management industry where employee turnover is typically quite high. This means teams need to consistently onboard well after the ink is dried on the contract.

TechCo Alison AsiaOps admits that TechCo struggled with ongoing onboarding. “FMPro is rather good at onboarding their new hires, but TechCo started falling behind. The difficulty also lies in the extensiveness of the stakeholder field across both regions, making it hard to keep track of all the changes."

TechCo's Paula Procurement reflects on the importance of onboarding with all the changes. "Especially with all the changes TechCo is currently going through, there are constantly 'new sheriffs in town'. We keep on explaining what Vested means, what our relationship entails, and what makes it different that makes it work so well. But often senior management or executives who have not been part of any Vested training don't understand what Vested really entails. It's important to remember that senior leadership plays a crucial role in providing strategic direction in line with the Statement of Intent outlined in our contract. We need these senior leaders to be ambassadors and lead by example. Often they are not used to do that."

CONCLUSION

TechCo has made their mark being innovative. So when team members were challenged to drive aggressive cost savings in how TechCo operated its facilities management operations – team members set out to innovate in how they were outsourcing.

Team members refer to TechCo's success as the power of *and*. Lower costs for TechCo's procurement organization *and* record operational results for TechCo's operating groups *and* more revenue and higher profits for FMPro through incentives. TechCo's corporate executives are taking notice. FMPro earned TechCo's prestigious Distinguished Supplier Award just one year after transitioning to Vested and FMPro was awarded an earned contract extension based on achieving Desired Outcomes.

TechCo's Vince VP attributes the success to how Vested aligned the interests of TechCo and FMPro. "At the foundation of our success is the 'What's-in-it-for-We' mindset that has fundamentally changed the nature of how TechCo and FMPro work together. The benefits of this shift are producing very real benefits for both TechCo and FMPro."

FMPro's Allen AcctExec concludes: "Following the formal process of co-creating our win-win agreement is enabling us to work far more collaboratively. We trust each other much more than prior to our Vested journey. And that in itself is priceless, as it leads to so many great results!"

The bottom line?

The bottom line? It is your bottom line.

Vested outsourcing is no longer a new or novel concept.

Companies like TechCo are having tremendous success with Vested and starting to feel more fearless in turning to Vested outsourcing as a viable option for improving how they outsource.

And service providers like FMPro are beginning to realize that Vested is not just a unicorn – but a process that can help them work with clients in a true win-win way.

We are sharing this case study with the hope that it will help your organization see how to turn the theory of Vested into practice. And - in doing so - take *good* relationships and turn them into *great* relationships delivering award-winning results. And equally important we hope you learn from the advice TechCo and FMPro have candidly shared.

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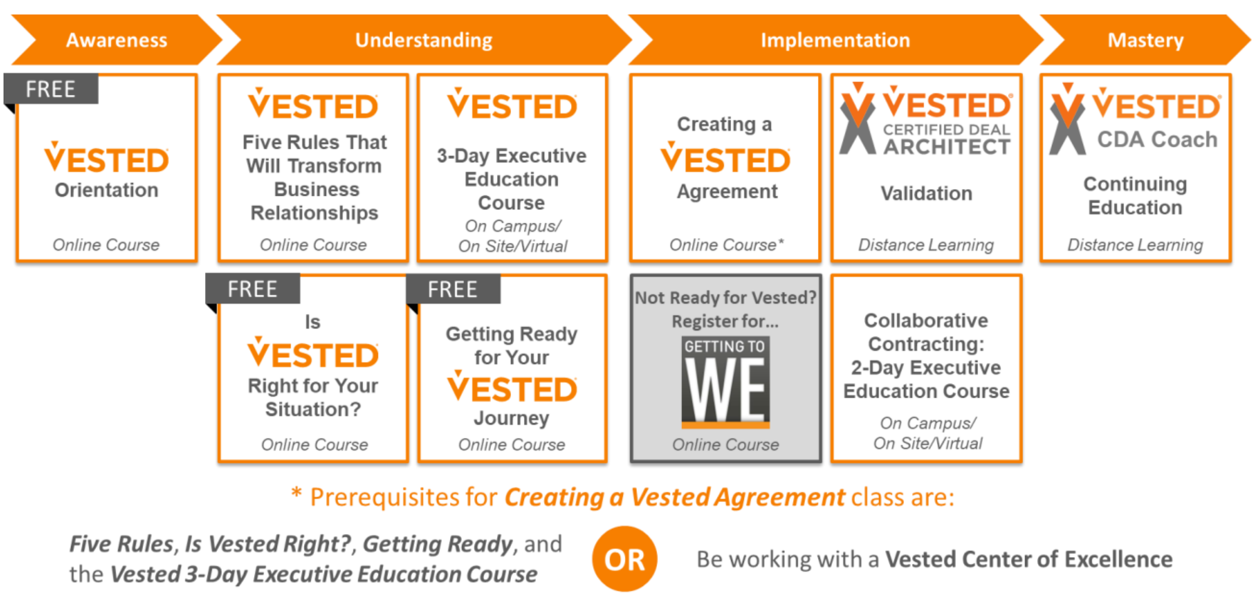
FOR MORE INFORMATION

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.

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.



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