



# VESTED For Success Case Study

From Competitive to Collaborative Bidding Approaches:  
How Vancouver Coastal Health Harnessed the Potential  
of Supplier Collaboration for Environmental Services

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Health care providers across the globe find themselves in a persistent tug-of-war with increased demand for services on one side and rapidly rising costs on the other. Vancouver Coastal Health (VCH), one of the six health authorities in lower British Columbia, is not immune from the pressure of this conundrum. However, they have something that lifts them above the crowd – a fearless quest for innovative ideas to drive proactive change for VCH.

VCH's CFO Glen Copping believes "The riskiest thing you can do is stand still and not change. Our challenge is to find ways to do it without risking sinking the ship." For VCH's BISS (Business Initiatives and Support Services) group, the challenge to innovate came in how they could drive innovation in how they approached outsourcing. BISS had evolved their outsourcing efforts since they first outsourced housekeeping services in 2002. Good intentions and continually focusing on "best practices" for each renewal delivered savings and incremental service level improvements. But the BISS team wanted more. The team – led by David Handley - was determined to give more than lip service to the idea of change and decided to drive true transformation in outsourcing with their 2014 Environmental Services outsourcing contract.

### **FINDING THE WAY**

In their quest to find a better way, David Handley reached out to the University of Tennessee to learn about their award-winning research and Vested business model. The decade+ of research for highly collaborative relationships was impressive. While the Vested methodology seemed to be the right approach to attain a true partnership and avoid the pitfalls of previous contracts, David Handley staunchly believed the first order of business was picking the right partner. "Vested may be great, but, first, we have to be sure that we have the right partner. Someone we can trust and is culturally compatible."

David Handley and small team - including Kremena Daskalova and Sandeep Mann - determined to send a clear message with the potential suppliers; "We seek a different kind of solution. We seek a partner that works with us, not for us." VCH ultimately created what they coined as a Mutual Value Solution Request for Proposal (MVS) process<sup>1</sup> that was inspired by combining the government's approved Joint Solution Request for Proposal (JSRFP) process and Vested thinking. The MVS was a four-part process.

Adding the unique term "Mutual Value Solution" was a deliberate move. However, the title was not the only thing new. The entire scope of the contract was changed from "comprehensive cleaning and housekeeping" to "environmental services (EVS)." This sent an important message – VCH was looking for more than cleaning; they sought a partner that would bring innovations to infection control." A key focus would be to shift from a transaction based outsourcing agreement to an outcome-based agreement. The scope also involved more than just VCH – but also included environmental services needs for Province Health Care Society (PHC) – one of VCH's affiliated health organizations under the Lower Mainland Consolidation.<sup>2</sup>

VCH was approaching outsourcing from a very different perspective and asking suppliers to think differently as well. Handley's team made the deliberate decision to use a highly collaborative process that actively involved suppliers. Typically, when VCH issued an RFP, communication was accomplished through extremely formal venues. Conversation was limited to a handful of people and, usually, in written form. Handley explains, "In the past we viewed procurement as a technical exercise. Conventional wisdom is a buyer sets the specifications of what they want; you give proponents information, and then let them bid. You don't communicate with them. You don't give feedback or modify anything."

VCH was fully aware that, in order to secure a true partner, they needed to demonstrate their intent to work collaboratively and transparently throughout the process.

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<sup>1</sup> VCH abbreviates the Mutual Value Solution Request for Proposal as MVS rather than RFP.

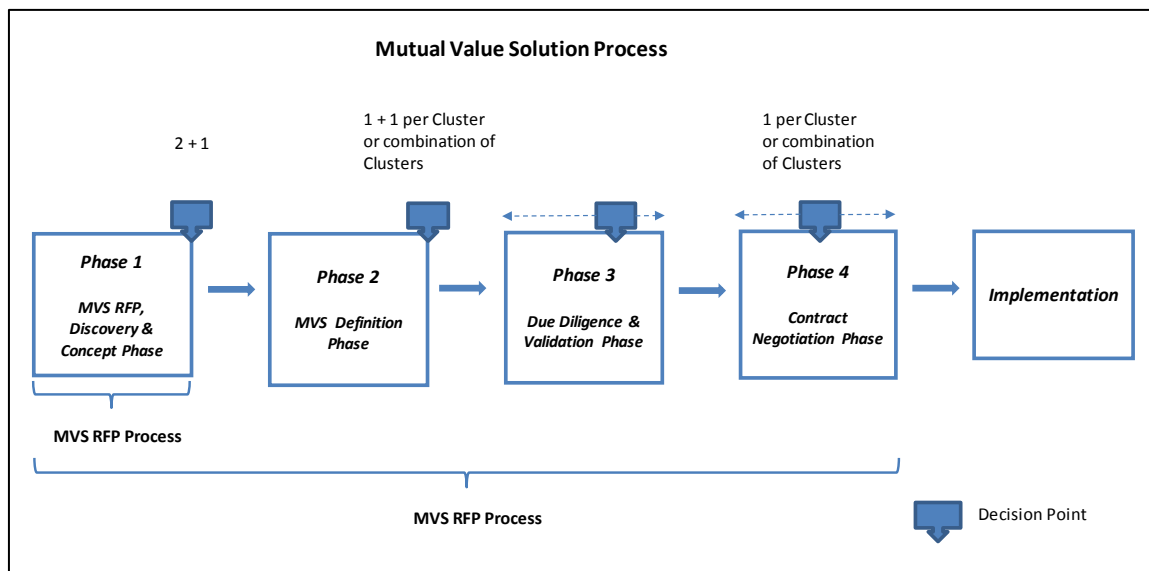
<sup>2</sup> For ease of reading we simply refer "VCH" throughout the case study.



Therefore, they created a bidding environment to purposefully engage give and take dialogue with suppliers. Proponents could ask questions and request feedback throughout the process.

Unprecedented access to stakeholders was available and communication was encouraged. Each of the three qualified proponents participated in a highly transparent process purpose built to allow the suppliers to put together the best possible solution they could come up with – not simply answer canned questions and provide a price.

Another major difference came in the form of the four distinct phases. Previously, VCH would issue a general RFP that included all details of the entire deal, beginning to end. In this case, VCH offered an entirely different schedule.



In summary, the four (4) Phases were initially described in bidding documents as follows:

- (a) MVS RFP, Discovery & Concept Phase (November 15, 2013 – February 14, 2014) – information was gathered by Proponents and a high level Concept formulated, with Preferred Proponents selected on the basis of the Concept formulated;
- (b) MVS Definition Phase (February 28, 2014 – June 17, 2014) – Solution development jointly by Proponents and the Health Organizations occurred, and a Successful Proponent(s) was selected on the basis of the Solution developed;
- (c) Due Diligence & Validation Phase (July 11, 2014 – July 25, 2014) - Solution was confirmed and validated by the Successful Proponent(s) and the Health Organizations; and
- (d) Contract Negotiation Phase (August 8, 2014 – November 21, 2014) –Contract was framed, finalized and executed by the Successful Proponent and the Health Organizations and an implementation plan developed.

The approach offered important advantage to VCH. The MVS clearly stated the intent of each of four phases, but provided only the detail necessary for each phase as it occurred. In particular, the evaluation criteria did not have to be revealed at the beginning of the process, but rather at the beginning of each phase. This left VCH options open to modify the process (including the timeline) along the way.



The bid process could accommodate new ideas brought forward by potential suppliers as well as VCH continued efforts to discover the optimum way to move forward.

The team also actively built flexibility into the process. Using a flexible approach also allowed VCH the option to choose one or more solution to achieve its objectives. This gave them the ultimate degree of flexibility to ensure they were working with suppliers for the “best fit” solution that would meet their needs.

The approach also allowed suppliers to engage in ways never experienced before. Leta Hill, a vice-president of Compass, shared a supplier’s perspective. “The process was different from the onset. There was a high degree of interaction with stakeholders that created much more collaboration. We ended up crafting solutions that looked very different from those we anticipated. The stakeholders had validated areas to focus. We found out what was really important. The approach led us to change our focus from “housekeeping” responsible for clean floors and bathrooms to one where we were part of the clinical team responsible for reducing hospital acquired infections and reducing wait time for beds.”

### **TRANSPARENCY AND COMMUNICATION DRIVE THE PROCESS**

Throughout the process, the proponents enjoyed access to information and stakeholders that had never been granted in previous competitive bidding events. There was an Information Control Office set up – an established physical location and VCH officials to handle the exchange of confidential information. There was also a virtual source of information, the Data Room. This served as the repository for information relating to the MVS, the EVS Project, and the MVS Process. Access to the VCH Archibus System provided floor plans of facilities included in the scope of the MVS.

VCH also invited proponents to undertake guided site tours of the facilities in each Cluster upon request to the Contact Person. Key stakeholders also spent time with Proponents during the tours to provide overview of major projects and site challenges. But, this time, inspections took on an entirely different focus. “We looked through an entirely different lens, said Patrick Prevost, “We quickly realized most important insights were coming from the direct stakeholder communication. Instead of measuring spaces and noting the age of tile, we watched for points of pain – where we could focus on the customer.”

In an absolutely unprecedented move, VCH offered a proponent led stakeholder workshop opportunity. The Stakeholder Workshop allowed the proponents to gain further knowledge of the business environment and needs of each Health Organization as they related to the EVS Project. Proponents set the agenda of the meeting. Stakeholders from VCH as well as various Health Organizations were present to discuss the necessary Service Outcomes and differing priorities for each location.

The stakeholder workshops were confidential. Questions and answers asked by individual proponents were not shared with the others. Although, if the Health organizations determined request for information should be made available to all Proponents, they reserved the right to do so. Minutes of the workshops were not taken. Recordings were not made. And, evaluations were not conducted. The workshops were clearly for the benefit of the bidders to build their knowledge and develop the highest quality proposal.

Proponents could also submit questions relating to the MVS and the EVS Project after the proponent workshops through the contact person. In this way, continued access was assured through all phases of the process.

Mary Morrison and her Compass colleagues were pleased to have direct access to stakeholders and chief councils. “Our core group asked a lot of questions. It was a paradigm shift to have access to senior people such as Sydney Scharf who were key to making policies about infection control. The interaction was invaluable. For example, Vancouver General Hospital is the largest acute/trauma hospital within VCH. One of its priorities was a speedy turnaround time for emergency beds.



Because so many stakeholders were in the room, we could ask questions ‘is turnaround time important to everyone?’

“Is it as relevant for residential care, or is there a different point of pain?” Knowing turnaround could be a target for one, but not all facilities allowed us to be more flexible in pricing. In the previous RFP process, we would have been obligated to monetize the pricing model to cover the costs on a wholesale basis.”

Mary continues, “Our biggest benefit was absolutely hearing the stakeholders...having unbridled conversation...getting out of RFP language and providing the canvass for our company to create a solution that was customized, sustainable and responsive to all. We could ask why something was important to them and what were the deal breakers. We needed to hear from the people who really felt the impact of service.”

## GETTING TO WE

At the end of Phase 2, VCH accepted the Compass proposal and committed to a fully Vested contract – what would become Canada’s first Vested agreement between a public and private entity in Canada. For VCH – a government entity - creating mutual value via a Vested agreement does NOT mean releasing the safeguards and legalities required by contract to protect VCH. Standard clauses for such things as labor disputes, default, termination, suspension, force majeure, confidentiality, and intellectual property remain intact and were addressed in the main body of the contract – which is short 23 pages.

To kick off contract negotiations, the parties created a Shared Vision, around which every aspect of the contract, from measurement to pricing model, is centered. *“Patient and Resident focused Environmental Services that are of the highest quality and reliability. Our commitment to collaboration, innovation, and shared governance will drive value and create an exceptional healthcare environment for all.* Creating the shared vision aligns the parties toward a common goal and transcends the self-interests of each individual party. It also focuses the parties on driving the transformation of the business forward, as the healthcare environment evolves.

The lionshare of the contract is documented within a flexible framework outlining a table of contents and exhibits that carefully follows the University of Tennessee’s research promoting the inclusion of five key “rules” for a successful Vested agreement. This sets the stage for parties to take their outsourcing relationships to the next level of collaboration and value.

- Rule 1: Outcome-based vs. transaction-based business model
- Rule 2: Focus on the WHAT, not the HOW
- Rule 3: Clearly defined and measurable Desired Outcomes
- Rule 4: Pricing model with incentives to optimize the business
- Rule 5: Insight vs. oversight governance structure

The rationale for building the contract in this way is straightforward. Expressing details about the business model, workscope, measurement, pricing model, and governance within exhibits rather than firmly entrenched and rigid language means they can be more easily amended. And that’s a key point. The contract is a seven-year agreement that needs to be nimble enough to change and adapt to unexpected circumstance.

## LESSONS LEARNED

VCH – led by David Handley and his small BISS team - set out on a journey to do things differently. Looking back David asserts. “It was more than just doing things differently. It was about learning a new mindset. It was also about picking the right partner and creating the environment to let that partner shine.”



## ACKNOWLEDGMENTS

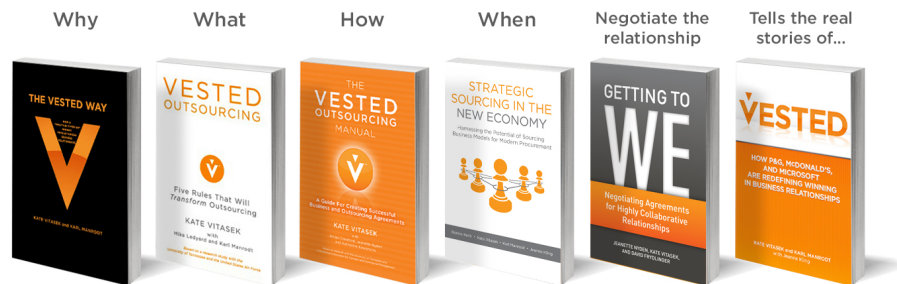
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## FOR MORE INFORMATION

Visit the University of Tennessee’s website dedicated to Vested Outsourcing at [www.vestedway.com](http://www.vestedway.com) where you can download white papers, watch videos, read articles and subscribe to our Vested Outsourcing blog or register for our online or onsite Vested Outsourcing classes.

We encourage you to read our 6 books on the topic of Vested, which can be found at [www.vestedway.com/books](http://www.vestedway.com/books)



## ABOUT THE AUTHORS

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