Telia

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From Supplier to Strategic Partner:

How Telia Used a ***Request for Partner*** Process to Take their Facilities Management Operations to the Next Level

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EXECUTIVE SUMMARY

In 2019 Telia Company AB set out to rethink its approach for facilities management and maintenance outsourcing. Telia – the Nordic and Baltic region's largest telecommunications company and mobile network operator – faced a challenge that is well known to many companies: they were saddled with a tangled network of supplier relationships that managed the various aspects of facilities and maintenance operations.

Telia engaged EY to do a benchmarking study and the findings were sobering: Telia's way of working was overly tactical and transactional, putting their suppliers in the position of being reactive, not proactive. With little room to innovate, frustration dominated the daily discussions and led to a virtual tug-of-war between Telia and its suppliers. As part of the benchmarking effort, EY facilitated Telia stakeholders through a business model mapping exercise to determine the appropriate sourcing business model. The results? Take a more strategic approach with a clear intent to focus on business outcomes, not just transactional services.

This case study explores Telia's journey to learn - and ultimately make the shift – to a Vested sourcing business model. This case study profiles Telia's journey, starting with an initial benchmarking exercise to learn if Vested would be an appropriate model. We go behind the scenes and show how Telia used a Request for Partner (RFPartner) process to select Coor Service Management AB as the most appropriate partner to help Telia transform and modernize its operations in June 2020.

The results? Telia and Coor have collaborated to achieve *the power of and*: reducing cost by more than 15% in just the first two years, streamlining delivery and governance, and improving user experience to record high levels. In addition, the parties have fostered a collaborative culture that is moving beyond short-term quick wins as they invest in the future of facilities management and maintenance operations.

The case study consists of four parts.

- Part 1 shares how Telia laid the foundation for change
- Part 2 provides a high-level overview of the University of Tennessee's RFPartner process for helping companies pick an appropriate strategic partner
- Part 3 includes a deep dive into Telia's RFPartner process
- Part 4 shares Telia's results and advice for other companies

We hope you find this case study provides insight into the why and how of implementing a RFPartner process can help organizations shift along the sourcing continuum using a more collaborative Vested sourcing business model.

PART 1: LAYING THE FOUNDATION

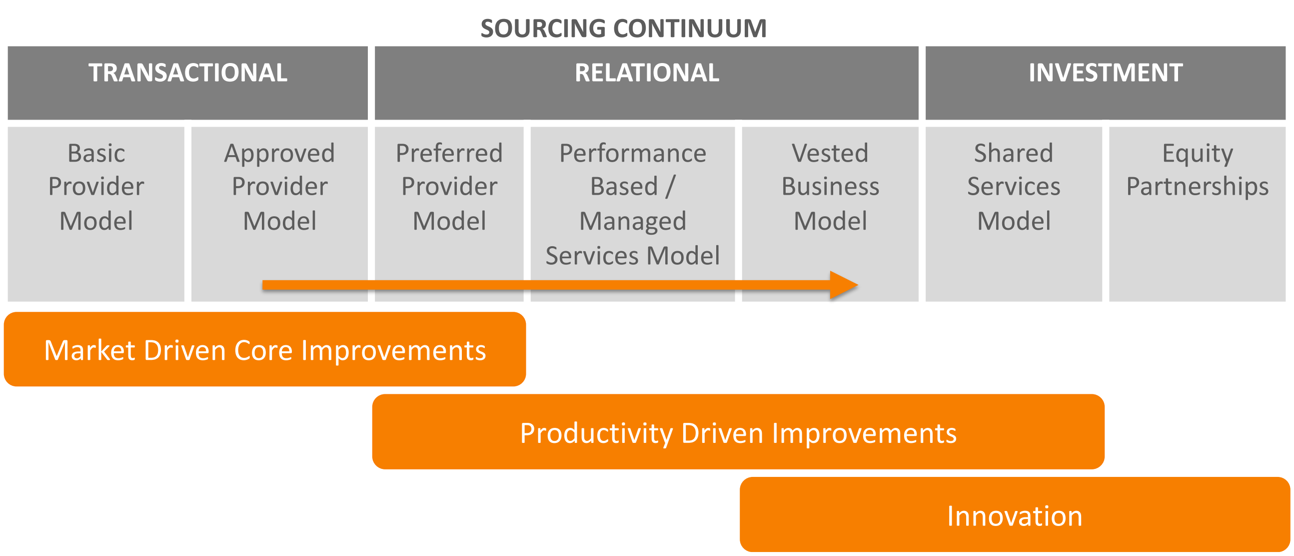
When Telia set out to challenge the status quo of how it outsourced its facilities management (FM), it turned to EY – the Nordics leading advisor in outsourcing strategy and execution.

EY performed a 3-month review establishing a baseline of Telia's FM services. The comprehensive review included capturing the baseline cost structure and delivery model across four countries (Sweden, Finland, Norway, and Denmark), and four cost categories (real estate, personnel, facility management, and electricity). In addition, EY was chartered to help develop a business case on how Telia could improve its FM operations to achieve *the power of and* – lower cost *and* improved service.

EY's Robin Warchalowski – Associate Partner at EY – led the strategic consulting initiative that included interviewing 25 key stakeholders and analyzing data from over 100 suppliers across the Nordics. The findings showed Telia had numerous contracts that were rooted in transaction-based models. "In fact, all of the contracts except for one strategic contract for technical sites in Sweden fell into a classic transaction-based Approved Provider sourcing business model," stated Warchalowski. "This created a misalignment of goals between Telia and its suppliers. While Telia logically knew that a more consolidated approach to working with fewer suppliers was beneficial, it was also open to exploring other best practices."

EY's recommendation? For Telia to leverage the full potential of their Nordics facilities management organization, Telia would need to shift up the sourcing continuum (see **Figure 1**)

Figure 1: Sourcing Business Model Continuum



This would mean a significant change in how Telia operated. As organizations make the shift from commodity-focused "buy" sourcing business models to more value-based "hybrid" sourcing business models (e.g., Performance-Based and Vested agreements), they shift their approach to outsourcing to:

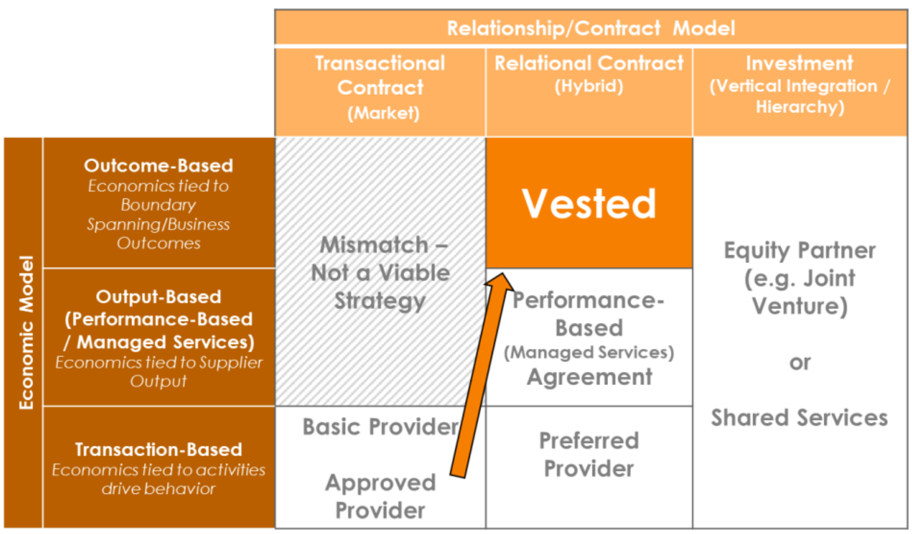
- Emphasizing buying "solutions" vs. "technical specifications"
- Viewing service providers as strategic "partnerships" and "alliances" with a focus on longer-term, flexible, "win-win" deal structures versus as a simple supplier relationship
- Using more collaborative and transparent approaches during the bid process
- Considering the service providers' "cultural fit" in addition to capabilities
- Shifting away from transaction-based sourcing business models to output-based (Performance-Based) and outcome-based (Vested) sourcing business models

The good news? Telia already had experience making the shift up the sourcing continuum with a strategic Technical Sites service provider in Sweden who operated under a Vested sourcing business model for managing Telia's mobile masts, data centers, and fixed telephone stations spanning approximately 16,000 locations.

But was a Vested sourcing business model right for Telia's facilities management operations of its offices space? As part of the benchmarking initiative, EY facilitated a business model mapping exercise with Telia's key stakeholders in August 2019.

The results? A relational contract would drive more transparency and collaboration and an outcome-based economic model would allow Telia and their chosen service provider to better align interests on mutually defined business models. Combined – this pointed to a Vested sourcing business model. **(Figure 2).**

Figure 2: Telia's Internal Sourcing Business Model Map Decision



The business model mapping exercise helped Telia validate their gut feel that a Vested business model would be a good fit. A key part of the RFPartner process would be validating this assumption with potential service providers.

This rest of this case study profiles Telia's RFPartner process to find a partner to manage their facilities management operations for the offices scope spanning 58 office locations (34 offices in Sweden and 24 offices in Norway.)

PART 2: PICKING THE RIGHT PARTNER

With the decision to make the shift to a Vested business model, the next step was to select a strategic partner that could help Telia take its facilities management operations to the next level. The benchmarking phase helped Telia recognize that consolidating the work scope with a single service provider not only had the potential to maximize value creation – but also was possible because several service providers had the capability to offer integrated facilities management services in the sites under scope.

To help Telia make the decision on which service provider would be the best partner, EY recommended a Request for Partner[1] (RFPartner) process.

The RFPartner process was developed by University of Tennessee researchers in collaboration with the Canadian government. The goal was to help Canada's Vancouver Coastal Health Authority use a formal competitive bid process that would result in a Vested agreement. A key difference is the collaborative nature of the bid process. In addition, an RFPartner process also focuses on shifting from picking a service provider to meet a given set of specifications at a price to selecting a partner with a combination of the best overall solution and cultural fit with the ability to collaborate on more strategic transformation initiatives.

UT's RFPartner process includes 12 steps across five phases. **Figure 3** provides a high-level overview of each phase/step.

Figure 3: Typical High-Level Overview of RFPartner Process

Phase 1	Phase 2		Phase 3	Phase 4	Phase 5
Service Provider Qualification	**Award (pick winning Service provider)**		**Due Diligence phase**	**Contract Development**	**Living Into the Agreement**
	Concept	High-Level Alignment			
1.Release first bid documents (including qualification criteria) 2.Qualify potential suppliers for Phase 2	3. Release bid Document(s) on Award Phase (including Award Criteria) 4. First dialogue phase (optional)	5. Second dialogue phase 6. Service Providers Prepare Bids (Partnership Proposal) 7. Final Supplier Selection	8. Verify statements in bid documents (proposal)	9. Complete contract workshops and finalize contract (Vested deals follow 5 Rules/10 Elements) 10. Contract Sign off	11. Onboarding 12. Ongoing Governance
From Many to 3-5	Typically, from 3-to-1 in a single-step down-select				
	From up to 5 to a Short List of 2-3	From 2-3 Short List to 1	1		

* Contract development time varies based on the scope and complexity of the partnership as well as the team's "readiness" (e.g., having the right people on the contract team) at the kickoff of Phase 4.

[1] For more information about the University of Tennessee's RFPartner process see the Vested White Paper "Unpacking Collaborative Bidding: Harnessing the Potential of Service provider Collaboration" and "Unpacking the RFPartner Process." Both are free downloads at http://www.vestedway.com/vested-library/

On the surface, the high-level RFPartner phases are not very different from any typical Request for Proposal process. For example, most methods have a phase to qualify service providers (e.g., go from many to a few capable service providers).

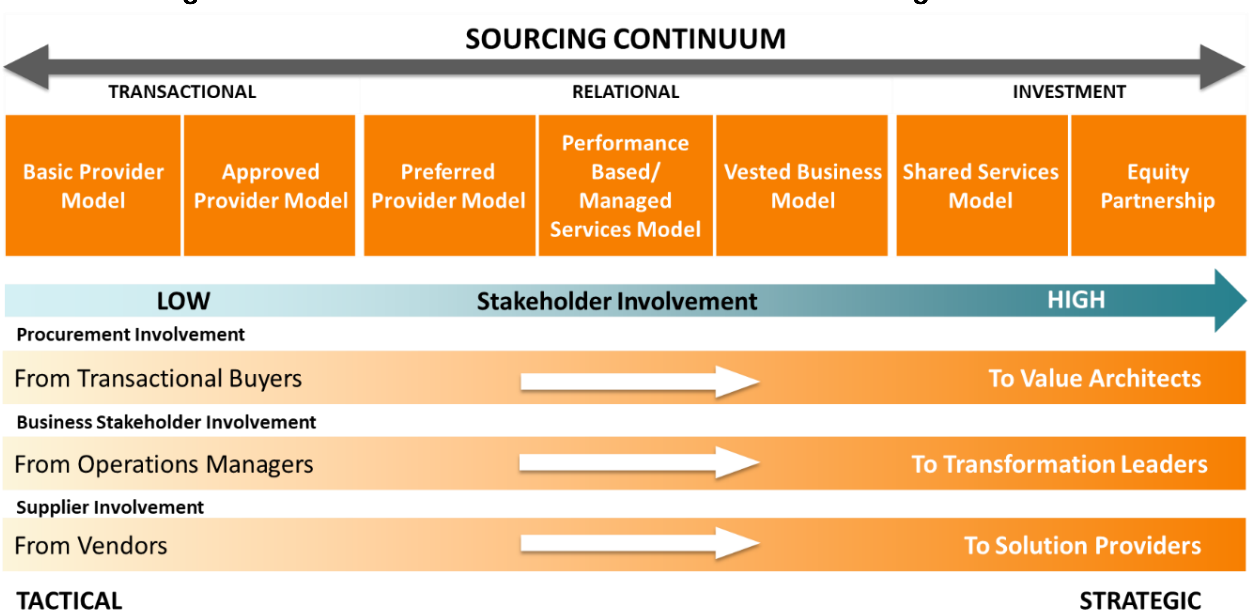
However, below the surface, the RFPartner process is significantly different in five ways.

For starters, an RFPartner process purposefully creates a joint Deal Architect team, with a large percentage (often over 50% of the team members) who "stay behind" as part of Phase 5. This avoids a "throw it over the fence" mentality all too common where the focus is on the deal – not on creating a sustainable relationship and solution.

Second, an RFPartner process also formally incorporates relational contracting principles. These essential differences lay the foundation that the bid process emphasizes the importance of creating a trusting relationship in addition to simply the service providers' capabilities. Because relationship building is essential, an RFPartner process uses interactive stakeholder engagement between both the buying organization and service provider engagement.

Why such a high level of engagement? As organizations shift along the sourcing continuum, the nature of their relationship with their service provider changes to focus on value with service providers, making the shift from 'vendor' to a strategic partner. (see **Figure 4**)

Figure 4: Stakeholder Involvement Across the Sourcing Continuum



Third, an RFPartner process focuses on potential solutions versus determining a supplier's prices for a set scope of work. This means the buyer and the potential short-listed service providers work closely together on crafting a possible solution through the use of dialogues (e.g., workshops). At each phase, service providers assume more significant responsibilities and are more involved, allowing buyers to gain confidence in how potential service providers align with their organizations. The Award Phase concludes with picking the partner with the best ability to jointly meet the buyers' strategic objectives.

Fourth, while the focus is on solution development – the RFPartner process is specifically designed to limit *detailed* joint solutioning during the Award Phase. The more detailed, time-intensive, and costly solutioning is done in the Contracting Phase (Phase 4) with only the winning service provider(s). The reason this is done is to minimize the transaction costs for all service providers that will not get the contract. Simply put, it is far more efficient to work out the details of the solution with the preferred service provider than to do it with all the qualified service providers.[2]

Last - and likely one of the most important features – is the RFPartner process formally incorporates "cultural fit" into the Award Criteria in the service provider selection process. For this reason, the process is very transparent and encourages collaboration from the earliest dialogue workshops in the Award Phase all the way through to the contract co-creation and ongoing governance post-contract signing.

Warchalowski shares, "The RFPartner process is ideal for companies where the goal is to find a strategic partner because the process goes far beyond a conventional Request for Proposal by seeking to find a service provider that has the best solution and the best cultural alignment with regards to collaboration and innovation."

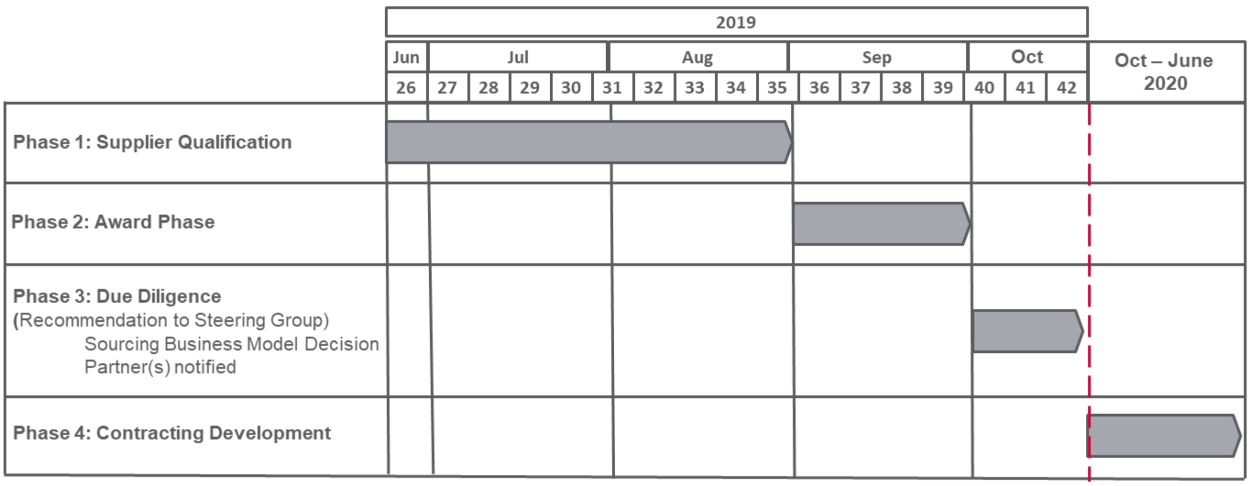
Part 3 on the following page provides a deep dive of Telia's RFPartner process.

[2] The Request for Partner process is most appropriate for complex and strategic sourcing initiatives. Simpler commodity focused sourcing initiatives should rely on a more conventional Request for Proposal process. To better understand the comparison, download the free white paper "Unpacking Collaborative Bidding: Harnessing the Potential of Service provider Collaboration" at *http://www.vestedway.com/vested-library/*

PART 3: DEEP DIVE INTO TELIA'S REQUEST FOR PARTNER PROCESS

Telia's RFPartner process followed UT's suggested process with some minor variances. Telia coined their bid process a "Request for Collaboration" (RFC). In the following pages we share a deep dive into Telia's process which lasted 17 weeks – including service provider response time and Telia's evaluation time. **Figure** 5 shares the high-level timeline.

Figure 5: Telia's High Level Request for Collaboration Timeline



Phase 1: Service Provider Qualification

The Qualification Phase is most similar to traditional bidding methods in that the goal is to down-select to a short list of qualified service providers. Like a conventional competitive bidding method, the Qualification Phase starts with issuing bid documents and ends with a short list of suppliers. In the case of Telia, the shortlist target was to go from eight invited suppliers to three short-listed suppliers.

Qualification Phase	
Typical Process	**Telia Process Variances**
1. Release first bid documents (including qualification criteria) 2. Qualify potential suppliers for Phase 2	• Initial bid documents included both Qualification and Award Criteria • Timeframe includes Telia's time to prepare bid document
From Many to 3-5	From 8 to 3
Time to prepare bid documents varies 2-4 weeks for suppliers to respond	4 weeks to prep bid documents 6 weeks for suppliers to respond (includes summer holidays)

An RFPartner process starts with the buying company releasing the first bid document. However, prior to that, the buying organization develops the bid approach bid documents. In the case of Telia, creating the bid documents took about four weeks. The service providers then had approximately six weeks to submit their responses.

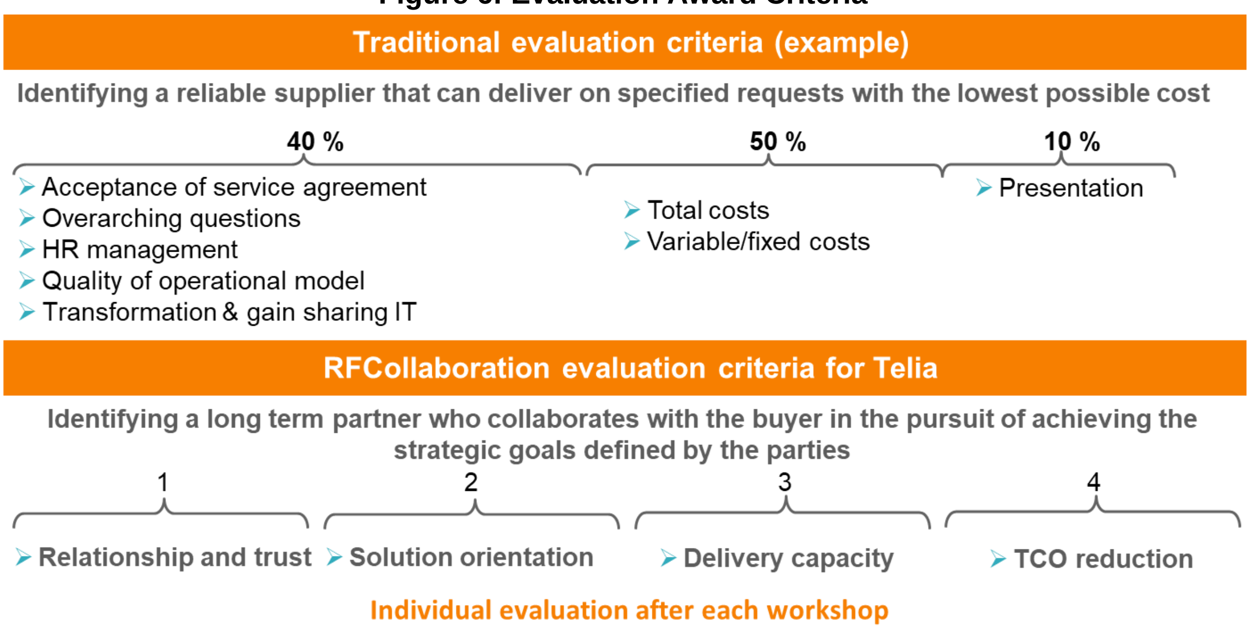
Telia's RFC process started by assembling a cross-functional team that represented essential business stakeholders. The team ultimately agreed the initial scope should include eight Workplace services, seven Property services and four Governance areas.

Essential to the success of an RFPartner process is clearly defining the criteria for down-selecting service providers and ultimately selecting the partner of choice. A good RFPartner process includes pre-determined and transparent down-selection criteria with a few service provider finalist(s) asked to collaborate on a more comprehensive solution to meet the buying organization's strategic objectives as they move through the bid process. Down-select criteria include both Qualification Criteria and Award Criteria.

It is important to note the difference between Qualification Criteria and Award Criteria. For example, in European Union public procurement law there is an explicit difference between "Qualification" Criteria and "Award" Criteria. Qualification Criteria have to be related to "the bidder" (the suitability of the bidder in general) while Award Criteria are related to "the actual bid." This difference is important. In the Qualification Phase (Phase 1) only criteria related to "the bidder" can be used. Criteria related to "the bid" can be used only in the Award Phase (Phase 2). We recommend this approach for all bids unless specific public procurement law states otherwise.

As mentioned in Part 2, a key difference between a conventional Request for Proposal and a more collaborative Request for Partner process is the latter formally incorporates "cultural fit" and "solution fit" into Award Criteria in the service provider selection process. **Figure 6** compares typical conventional evaluation criteria with Telia's RFC evaluation Award criteria.

Figure 6: Evaluation Award Criteria



It is easy to see the evaluation criteria shifts the focus from picking service providers that can deliver on specified requests with the lowest possible price to identifying a long-term partner to collaborate with Telia in the pursuit of achieving strategic goals defined by the parties. Telia's RFC criteria included four main buckets: relationship and trust, solution orientation, diversity capacity, and TCO reduction.

Each step of the RFC would then be focused on evaluating the service providers' match with Telia against the predetermined evaluation criteria. The table below provides more detail on each of the evaluation criteria used in Telia's RFC process.

Telia's Detailed Evaluation Criteria

Relationship and trust	• Degree of strategic fit (i.e., compatibility of company strategic goals, organizational values and ways of working which make the parties suitable for a partnership). • Demonstrate transparency and openness. • Illustrating a mindset and ability to focus on how to obtain value for both parties. • Commitment and willingness to invest time and resources in a long-term collaborative relationship with Telia. • Demonstrated breadth and depth of resource skillset required to deliver an output- or outcome-based relational service delivery to Telia.
Solution orientation	• Ability to understand and solve Telia´s current challenges. • Demonstrated ability to provide relevant suggestions of improvements, based on new tools and technologies, to realize improvement of in-scope services. • Demonstrated capability to initiate, drive and deliver transformation and continuous improvements equivalent in scope of Facility Management services at Telia.
Delivery capacity	• Geographical representation across the Nordics and Baltics. • Ability to self-deliver the end-to-end solution or utilize partners in an intelligent way. • Ability to scale up and down scope in terms of sites and locations across the Nordics and Baltics.
TCO reduction	• The size of possible reductions in Total Cost of Ownership must be indicated in an interval. Evaluated from intervals, as well as credibility of the reduction being achieved.

Telia – like many buying organizations - had a large field of potential service providers that needed to be narrowed down to a smaller number of the most qualified service providers. In the case of Telia – eight service providers were invited to participate in the RFC. Typically, the number of service providers that move into the award phase is three to five. For Telia – the number targeted to move forward in the Award Phase was three.

Telia sent the bid documents to the eight potential partners in July 2019. While service providers were responding to the RFC, the team got busy planning for the workshops where Telia and the potential partners would collaborate on the best solution for Telia. The plan called for a series of three workshops – each designed to help Telia determine which service provider was the best fit across the four Award Criteria.

Fredrik Lindgren, Telia's Head of Real Estate for Facilities Management (REFM) – reflects. "As we evaluated the responses it was clear there were three service providers who stood out." Those three service providers were chosen to move forward.

Phase 2: Award Phase

The Award Phase is similar to traditional bidding methods in that the goal is to further down select the qualified service providers. However, unlike conventional bidding methods the Award Phase is highly collaborative with the goal to pick a partner with a combination of the best cultural fit and solution fit.

<table>
<tr><th colspan="3">Award Phase</th></tr>
<tr><th colspan="2">Typical Process</th><th>Telia Process Variances</th></tr>
<tr><th>Concept</th><th>High-Level Alignment</th><td rowspan="2">• Used a combined (one-step) award phase vs a two-step process
• Final Supplier Selection done as part of Due Diligence (Phase 3)</td></tr>
<tr><td>3. Release bid Document(s) on Award Phase (including Award Criteria)
4. First dialogue phase (optional)</td><td>5. Second dialogue phase
6. Service Providers Prepare Bids (Partnership Proposal)
7. Final Supplier Selection</td></tr>
<tr><td colspan="2">Typically, from 3-to-1 in a single-step down-select</td><td>From 3 to 1</td></tr>
<tr><td colspan="2">4 – 10 weeks</td><td>4 weeks</td></tr>
</table>

Some organizations incorporate a multi-step down-selection process for determining the final Award using multiple iterations (image above for a typical process shows a two-step down-select process). A multi-step down-selection process is typically done when the buying organization wants to decrease a larger number of qualified service providers to the critical service provider finalists.

Telia opted for a one-step down-select process that combined the concept and high-level alignment.

Like a conventional competitive bidding method, the Award Phase starts with issuing additional bid documents and ends with the selection of the service provider – a service provider finalist that will refine their solution as part of the Contracting Phase. The case of Telia, the primary bid documents for the Award Phase were issued in Phase 1 (Qualification Phase). However, Telia did issue additional bid documents pertaining to the details of each of the dialogue workshops in Phase 2.

Recall from Part 2 (Picking the Right Partner) that one of the fundamental differences between a conventional Request for Proposal and a Request for Partner is a Request for Partner formally incorporates relational contracting principles. A formal relational contract includes the use of

Guiding Principles which provide overarching social norms of how the parties will behave not only during the bid process – but also throughout the Contracting Phase and post-contract signing.

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

Telia's bid documents adopted the generic University of Tennessee recommended Guiding Principles – which would later be refined and formally adopted with the winning service provider as part of the Contracting Phase.

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

Telia's RFC process included three dialogue workshops.

Recall that the Award Criteria focused on four key elements: relationship and trust, solution orientation, delivery capacity, and TCO reduction. The workshops were purposefully designed to be highly collaborative and allow Telia and each of the service providers to have high-quality dialogues to enable Telia to determine which service provider was the best fit based on the Award Criteria. By design the workshops were done as individual meetings with service providers. Service providers were encouraged to ask questions during the RFC to help them develop their solution as they moved through the RFC process.

A key feature of an RFPartner process is service providers' questions are considered proprietary and are not shared with other service providers. This is done to encourage service providers to compete in the bid process without feeling they are sharing their trade secrets. This results in dialogue workshops that are transparent and open in nature. Telia's RFC process followed this approach.

Telia's first dialogue (concept phase) consisted of two workshops. Workshop 1 was a general service provider dialog to better understand the service provider and their potential fit across the evaluation criteria while Workshop 2 focused more narrowly on the service providers proposed solution and how they would approach a win-win outcome-based economic model.

The table on the following page shares the purpose and high-level objectives for each of the workshops.

	Workshop 1	Workshop 2	Workshop 3
Purpose	Start discussing and building potential partnership	Discuss and evaluate how value can be created in the future collaboration	Get final evaluation of compatibility and clarify any outstanding areas from previous workshops
Objectives	• Initiating the relationship building process • Discuss service provider's view on the concept of partnership • Identify the sourcing business model that is most optimal for both partners • Get a common understanding of next steps and essentials for the partnership journey	• Create a mutual understanding for the scope • Discuss the solution proposal and how it helps Telia to achieve the business objectives • Discuss the parties' delivery capacity • Discuss a potential TCO reduction • Discuss pros and cons of 2 IFM delivery models: Managing agent vs. self-performed	• Discuss perceived weaknesses • Discuss outstanding questions regarding the solution proposition • If time allows, discuss and draft potential vision statement for our future collaboration

Workshop 1

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

A key part of Workshop 1 was working with each service provider to identify the desired sourcing business model. Recall that during the original EY benchmarking work, EY facilitated a Business Model Mapping exercise with key Telia stakeholders. The initial thinking was a Vested sourcing business model would be a good fit. In Workshop 1 it would be time to test this assumption and to work through a business model mapping exercise with each of the suppliers. The result for the Coor workshop? A general consensus a Vested sourcing business model would create the most value for both Telia and Coor.

Workshop 2

In Workshop 2, the parties began to dig deeper, with the focus turning to each of the service providers' potential solution proposals and technical competencies. Suppliers were encouraged to ask a lot of questions and challenge the status quo of the way things had previously been outsourced. A significant amount of time was spent on solutioning with each of the service providers and understanding potential TCO (Total Cost of Operation) reduction opportunities.

It is tempting to try to develop a complete "solution" with as many service providers as possible. University of Tennessee researchers view this as unnecessary and inefficient because it significantly increases transaction costs for both the buyer and service providers. Losing service providers almost always suggest they prefer to “fail fast” in a bid process.

The RFPartner process outlined in this paper works well for reducing transaction costs because the more detailed solutioning and contract creation is not finalized until Phase 4 with only the service provider finalist. However, if the buyer and service provider fail to create an agreement, the buyer can go back to the “service provider(s) in waiting” who placed second or third during the Award Phase.[3]

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

Workshop 3

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

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

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

[3] University of Tennessee researchers have never seen this happen in any of the bid processes they have studied.

Phase 3: Due Diligence

The Due Diligence Phase of Telia's RFC process concluded with the team shifting into doing due diligence and final selection of their preferred partner that would go into the contracting phase.

Due Diligence Phase	
Typical Process	**Telia Process Variances**
8. Verify statements in bid documents (proposal)	• Final supplier selection done as part of Due Diligence vs Award Phase.
From 3 to 1	From 3 to 1
2 weeks (after bid documents are ready)	3 weeks

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

The Telia team prepared their recommendation to the Steering Committee which included two key recommendations. First, the team recommended selecting Coor as the partner of choice. Coor was carefully selected based on their ability to best meet the evaluation criteria identified. In addition, the team made the formal recommendation for Telia to pursue a Vested business model with EY being chartered to jointly coach Telia and Coor through the Vested process.

The Award Phase concluded the third week in October of 2019 with Coor being notified as the successful partner. In addition, there was a structured service provider debrief / loss review with each of the two service providers that did not win. The team provided the loosing service providers with their individual score for each step of the journey along with feedback on the service provider's strengths and weaknesses throughout each step of the RFC process.

Phase 4: Contracting Phase

Once due diligence is complete, the buying organization and service provider enter Phase 4 where they will collaboratively develop a contract that will guide the future of the partnership. Contract development should be considered an extension of the work started during the Award Phase, where the Deal Architect team will build on foundational work established in the Award phase workshops. A key deliverable for both parties is the fact the solution will be memorialized in the contract as the "playbook" for the relationship.

Contracting Phase	
Typical Process	**Telia Process Variances**
9. Complete contract workshops and finalize contract (Vested deals follow 5 Rules/10 Elements) 10. Contract Sign off	• No variances
1	1
2.5 to 9 months depending on scope and complexity	8 months including holidays

For Telia and Coor, the decision was to use the University of Tennessee's Vested methodology with the goal to begin a journey to a Vested relationship. This of course would not happen overnight as Telia would be making huge changes as they transformed from managing over 100 suppliers to working with one strategic supplier for all the offices in Sweden and Norway. But both parties were committed to the journey – which would start with co-creating their contract.

This would mean crafting a win-win flexible contract framework that would support their mutual goal to transform Telia's conventional, transaction-based "buy/sell" sourcing model to a Vested sourcing business model – a highly collaborative relational contract with an outcome-based economic framework.

The first order of business was to finalize the core "Deal Architect Team" that would put in the hard work to create the commercial agreement between the two companies and a Steering Committee. Recall from Part 2 that a key difference in a Request for Partner process and a conventional competitive bid process is a RFPartner process purposefully creates a joint Deal Architect team, with a large percentage (often over 50% of the team members) who "stay-behind" as during the Contracting and ongoing transition. This avoids a "throw it over the fence" mentality all too common where the focus is on the deal – not on creating a sustainable solution and relationship.

Telia and Coor formalized the role of the "Deal Architect Team" and created a formal Steering Committee as noted in the table below. In addition, EY shifted their role from facilitating the bid process to becoming a neutral coach to both Telia and Coor as they transitioned into the contract phase.

Steering Committee	Core Deal Architect Team	EY Neutral Coach
• Make decisions on deliverables • Discuss and solve strategic issues • Giver recommendations to core team • Support the process and promote partnership • Allocate additional resources, if needed	• Contribute with business knowledge and experience to workshops and meetings • Participate actively and make sure to allocate time to the project, inform about availability • Give access to right people and data in the organizations • Provide recommendations to steering group • Be a spokesperson and challenge current ways of working	• Provide tools and templates to make the process efficient • Provide experience within biding processes, outsourcing, FM etc. to support and challenge the parties to think in a new way • Facilitate workshops and meetings • Support with project management and documentation

One of the first things the joint Deal Architect Team did was create a name for their partnership. The team decided on “Co-Care” – which was later adopted as the team slogan post-contract signing.

At the core of the Vested approach lies the idea that the buyer and service provider collaborate on a forward-looking contract that extends beyond immediate requirements. This entails crafting a flexible contract framework capable of addressing the ever-evolving business landscape while also sharing both risk and reward as they work toward a formal Shared Vision and business-oriented Desired Outcomes.

In alignment with this concept, the joint team refined Telia’s original strategic objectives into a formal shared vision and Desired Outcomes (see **Figure 7**).

Figure 7: Telia-Coor (Co-Care) Shared Vision and High-Level Desired Outcomes

Shared Vision:

“We challenge existing ways of working by delivering smart and sustainable service experiences through simplifying, caring, and seeing further.”

Will be achieved through our Desired Outcomes

Desired Outcomes				
1. Achieve continuous sustainable and transparent financial improvements in the Workplace Total Cost of Ownership, while ensuring maximum long term financial value for both parties	2. Continuously care for employees, customers and partners by enabling exceptional and productive work experiences, now and for the future.	3. Provide socially and environmentally sustainable workplaces that support the Daring Goals	4. Create a strong partnership with a culture based on the Joint Vision and Guiding Principles	5. Support Telia’s REFM operations with smart solutions and enable integration of future generations

Recall that part of the original bid documents included Guiding Principles. Now that the team was in the Contracting Phase an essential step would be to formally adopt the Guiding Principles into the parties’ contract—anchoring the relationship as a formal relational contract.[4] The Guiding Principles would not only guide the parties during the contracting phase but also laid the foundation for the ongoing governance and management of the relationship after the contract was signed.

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

The team started reviewing the generic version of the Guiding Principles (Reciprocity, Autonomy, Honesty, Loyalty, Equity, and Integrity). From there, the Deal Architect Team tailored to the specific wording to their agreement. Below are the Guiding Principles that Telia and Coor co-created.

Reciprocity	The parties are committed to achieving balance in the long-term relationship, i.e., to give and get equally. It means that over time, there is a fair balance between the parties' rights and obligations and the distribution of income, costs, risks, opportunities, and contribution of ideas.
Autonomy	Both parties should work autonomously, preventing unnecessary interference and power usage. In other words, give and take responsibility and secure skill, motivation, and understanding to follow through on responsibilities.
Honesty	The relationship between the parties shall be based on an open, proactive, and honest environment where both parties promote and support culture on all levels and where the individuals are encouraged to share information. Honesty means that the parties will be truthful of available knowledge about facts, risks, and intentions.
Loyalty	We shall be loyal to the partnership and align our actions to the purpose of the Joint Vision and Desired Outcomes.
Equity	The principle obliges the parties to ensure proportionality between risks and rewards and allocating responsibilities. Equity means that there should be a fair distribution between effort and compensation.
Integrity	The partnership is characterized by integrity and common trust. Both parties rely on each other to make predictable decisions that are aligned with the Joint Vision and the Guiding Principles.

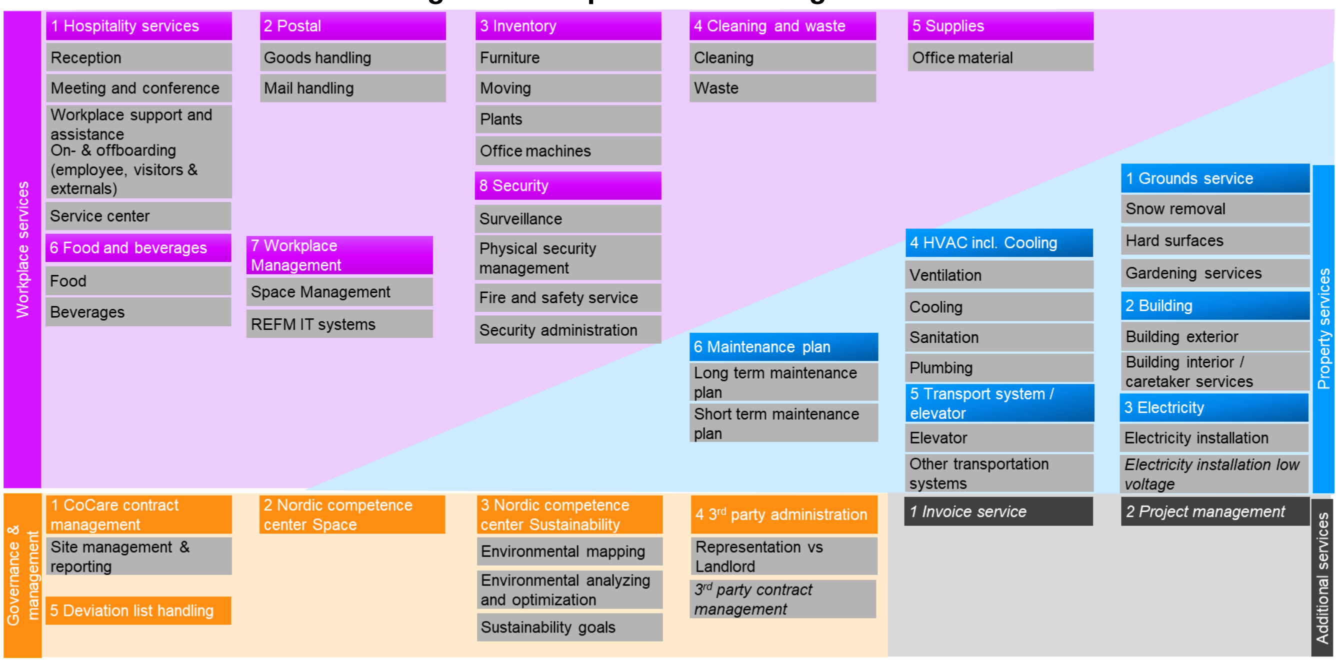
The Guiding Principles are a cornerstone of the relationship—and contract—providing guidance for behavior throughout the entire life of the business relationship.

Lindegren recalls just how important the time they devoted to developing the Guiding Principles was. "We understood that this contract would be upending quite traditional patterns. We needed to create something written and 'real' we could refer to. That's the mentality we had when drafting this part of the agreements."

He continues, reflecting on how co-creating the Shared Vision and Guiding Principles helped the team come together with a common view of the future. "During our earliest meetings as a team, everyone seemed to struggle to find their role. What are we all doing here discussing 'vision'? But quite soon, we all realized developing the Shared Vision and Guiding Principles was a cornerstone of the process which laid the foundation for everything we would do. Even though we were ruminating over tiny details and the wording, looking back at it now, those moments were so important. We were defining the way forward for us."

With the foundation laid, the Deal Architect Team continued their journey as they finalized their agreement following each of the Vested Five Rules.[5] The contract was signed in June 2020 and includes eight workplace service areas, four property services and six governance areas. (see **Figure 8**)

Figure 8: Scope of Co-Care Agreement



Phase 5: Living in the Agreement

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

A key first step was getting Coor physically ramped up as the partner of choice across all the locations. No small feat – especially given the fact that the Covid pandemic had set in only four months before signing the agreement. But both parties went into the transition with eyes wide

[5] The Vested methodology follows Five Rules. For more detail about the Vested Five Rules see the book *Vested Outsourcing: Five Rules that Transform Outsourcing* or register for the University of Tennessee's online Five Rules course at www.vestedway.com

open with the magnitude of work and with a mindset to continue the solid relationship build during the RFPartner process.

Telia’s Lindegren reflects, “The previous strategy was scattered. Transitioning was not a simple flip of the light switch. When I look back now, we have progressed leaps and bounds.”

Physical ramp up was only one part of the transition. Equally important was ramping up team members throughout both organizations with the Vested “What’s-in-it-for-We” mindset. To handle this challenge, Telia and Coor included extensive onboarding criteria as part of the contract and used a “Transition Index” KPI during the first year to measure, and reward, onboarding being done right at all levels and for both parties.

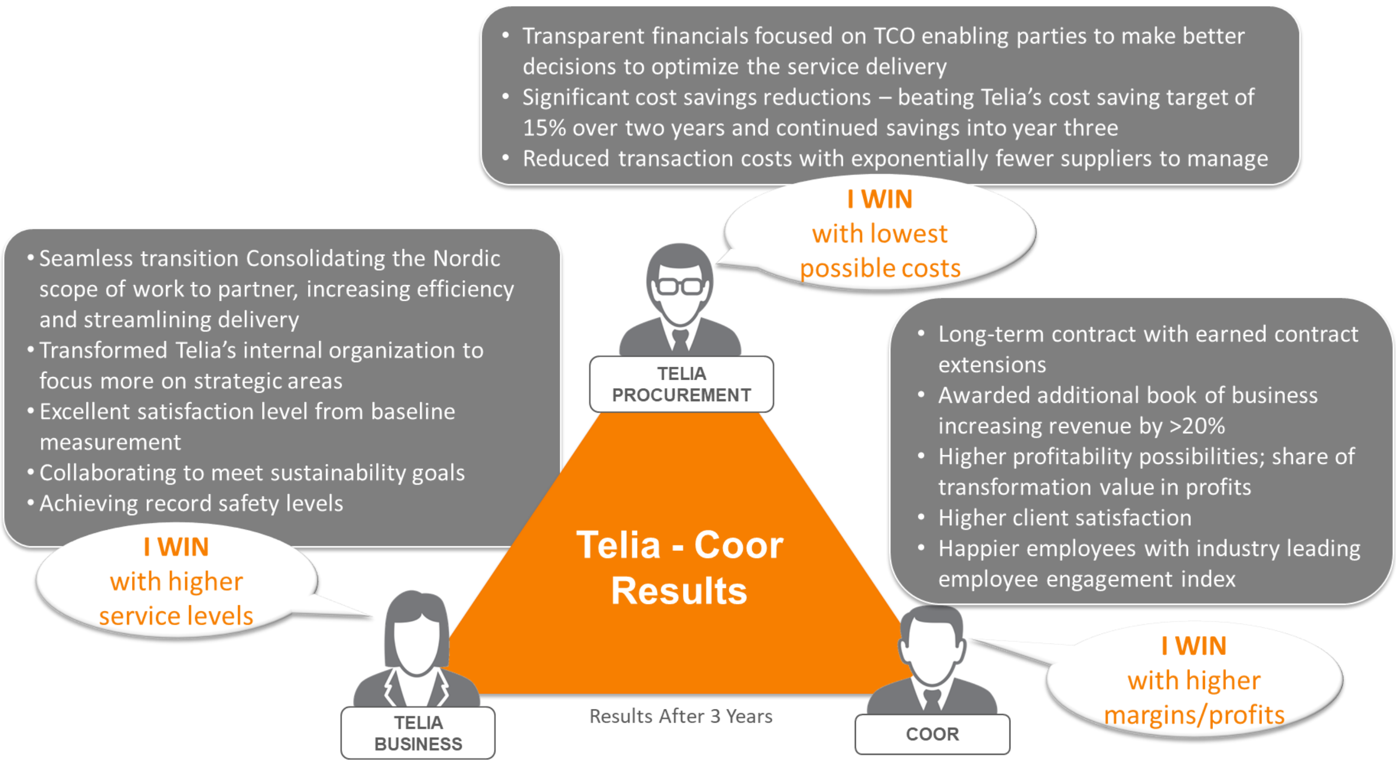
Coor’s Sörnäs acknowledges just how ambitious and inclusive the onboarding plan was: “Everyone working on the property was involved from cleaners and receptionists to the leadership team. Everyone received general training. The same effort was initiated on the Telia side. Altogether, it was a massive joint effort.” But he doesn’t stop there. “Of course, once the deal is up and running and you live it, even if key people leave, we implemented succession plans just in case. It's important to understand the onboarding never stops – it’s ongoing.”

VESTED FOR SUCCESS

For many organizations, the Vested sourcing business model is a dramatic change both operationally and in the mindset of everyone involved. Telia's Head of Real Estate for Facilities Management Fredrik Lindegren is proud of how far Telia's come. "It's really amazing when you look back and see just how much we have transformed how we work – both with regards to the physical operations but also with the mindset of how we work. The Vested methodology has helped us mature far faster than I would have ever imagined."

Today, it's clear the Co-Care partnership has made great strides creating value for both Telia and Coor. Lindegren is excited about the results **(See Figure 9).**

Figure 9: Results After First Three Years



"The results are amazing. We've beaten all our expectations truly achieving *the power of and* – lower costs and higher service as measured by user satisfaction. But we are also so much more flexible, and it is refreshing to have such a great and trusting relationship. The way we talk to each other and how we approach solving problems and challenges is far beyond my expectations."

Christer Olsson, Nordic Contract Manager at Coor, loves how the culture has changed for the positive, describing how the dynamic transformed from a "transactional, hostile, and adversarial" space to a "partnership-oriented, autonomous, and more trusting" relationship.

Niclas Nordin, Contract Manager for Sweden at Coor, sums up the feeling of the joint Telia-Coor team with this statement. “When you move away from the old transactional way of doing things, you stop looking at people as numbers. The process put humility back into how companies buy and sell – which is refreshing.”

CONCLUSION AND ADVICE FOR OTHERS

As organizations mature and their approaches to sourcing become increasingly sophisticated and vital to the enterprise, new competitive bidding methods must address the need to incorporate innovation into complex sourcing initiatives. There is a growing trend to use more collaborative bidding methods to enable buyers to work with service providers to find “solutions” and potential “partners” – not just to find a vendor with a price for a specification.

The benefits of the RFPartner process are clear and compelling:

- A simple yet effective methodology to select a service provider with the best solution ***and*** cultural fit.
- Leverages the thinking from the European Union’s Competitive Dialogue method to drive collaboration in a streamlined and efficient process
- Retains flexibility within the process to expand or collapse down-selection processes
- Has been field-tested as part of UT’s research
- Is offered as an open-source solution through the Creative Commons; the method is open source and can be adopted by both public and private sector organizations (buy-side and sell-side), using it for non-commercial purposes to help them with their bid process

Telia’s Fredrik Lindegren advises it is important to “establish who is the business owner and what they want to achieve. Then the Vested agreement will be the enabler for transformation”.

We hope sourcing professionals will use the learnings from this case study to embrace more collaborative bidding methods and – when appropriate –make the shift to an RFPartner process.

When team members were asked what advice they would give to other organizations considering making the shift to a Vested sourcing business model using an RFPartner process, Telia and Coor pointed out that it is important to lean on a qualified Certified Deal Architect as a coach.

Coor’s Nordin advises organizations focus on transparency because “collectively you get a much better understanding of risks and opportunities and how to co-create the best solution to working together effectively and efficiently.” He adds, “Companies have a tendency not to want to share; if we don't share properly, we will not be able to get all of the essential information needed to make the most optimal decisions.”

Team members also urge companies to follow the process and not skip the workshops. Multiple team members echoed the sentiment: “I believe every minute we spent in the workshops and the investment is the process was worth it. You get so much out of the workshops because everybody has their own views - and space to air them.”

ACKNOWLEDGMENTS

The University of Tennessee and the authors would like to thank Telia, Coor and EY for their invaluable contributions to this case study. We would also like to give special thanks to Erik Sörnäs, Fredrik Lindegren, Niclas Nordin, Christer Olsson, Karin Uller and Robin Warchalowski for their support and active participation in the development of this case study.

ABOUT THE AUTHOR

Lauded by World Trade Magazine as one of the “Fabulous 50+1” most influential people impacting global commerce, Kate Vitasek is an international authority for her award-winning research and Vested® business model for highly-collaborative relationships.

Vitasek, an author, educator, and business consultant, offers practical and research-based advice for driving transformation and innovation through highly-collaborative and strategic partnerships. She is the lead faculty and researcher for Vested and has launched the University of Tennessee’s Certified Deal Architect program.

Kate has written seven books, including: ***Vested: How P&G, McDonald’s and Microsoft Are Redefining Winning in Business Relationships, Contracting in the New Economy, Vested Outsourcing: Five Rules that Transform Outsourcing*** and ***Getting to We: Negotiating Agreements for Highly Collaborative Relationships***.

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

Vitasek is passionate in her quest to help companies transform their business relationships. She inspires and motivates business leaders in University courses (both onsite and virtually), and gives her popular keynote addresses at major industry events and conferences around the world.

Prior to joining the University of Tennessee, Vitasek worked on the buyside (P&G and Microsoft), on the sell side (Stream International) and as consultant (Accenture and Supply Chain Visions—a boutique-consulting recognized by ARC Advisory Group as one of the “10 Coolest” boutique-consulting firms).

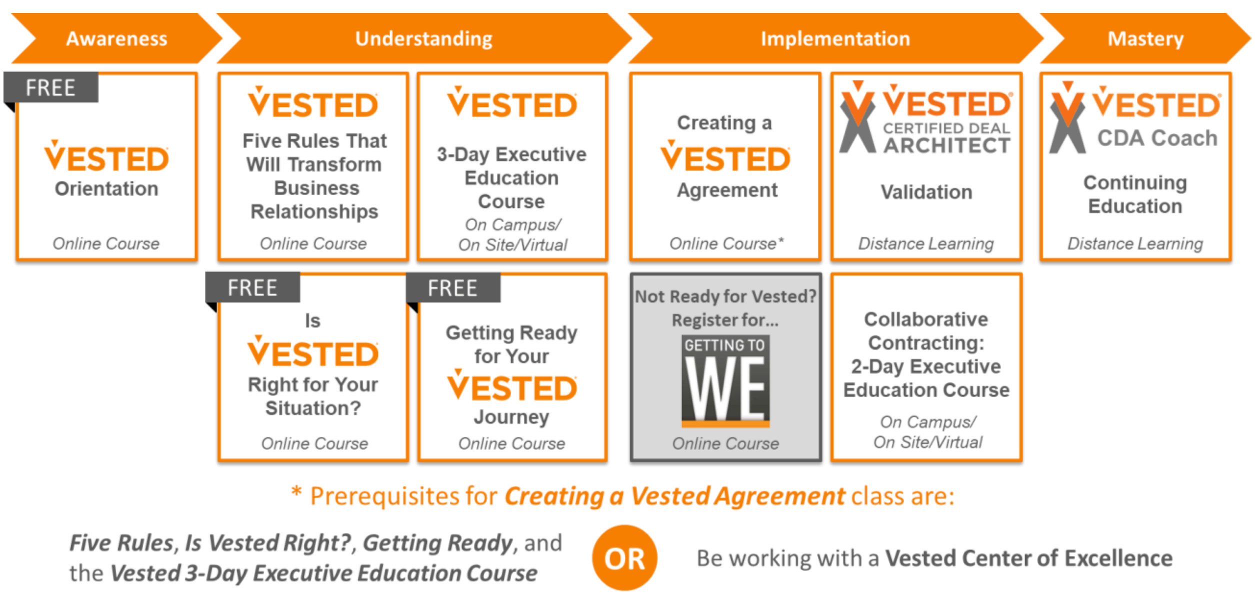
FOR MORE INFORMATION

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

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

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

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



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Published Summer 2024 by:
University of Tennessee
Haslam College of Business
ISBN: 978-1-959858-47-8

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From Supplier to Strategic Partner [Case Study]. The University of Tennessee, Haslam College of Business. Summer 2024.

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