VESTED® For Success Case Study

Winning in the Future of Work

How EY and ISS are Building a Better Working World with a Win-Win Vested Strategic Partnership

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PART 1: BACKGROUND

Claus Christensen – Head of Workplace Experience for EYs Nordic countries – is passionate about EY's purpose. "At EY, we believe a Better Working World is one where economic and people growth goes hand in hand with environmental sustainability and people who thrive. So, for the team in the Nordics responsible for workplace-related services, we have the ambition to be a world leader and showcase the 'next possible' by transforming workplace services to support our people in the best way."

Historically, EY performed its workplace services in-house supported by approximately 150 team members. Beginning in 1990 EY began to outsource facilities management (FM) operations with pilots in Sweden and Finland. Costs went down, and EY reduced its internal headcount to under 150 team members. However, the number of suppliers swelled to over 300.

EY began to think more strategically about its FM outsourcing. Christensen recalls, "We really didn't have an FM strategy, and everything we were doing was highly transactional. So we set out to create what we coined as our '1st generation IFM concept'." IFM stands for 'integrated facilities management,' and the goal was to work more strategically with a supplier to integrate services under a prime contractor specializing in more holistic facilities management services.

EY made good progress reducing to one primary supplier in Sweden and Finland. But collectively they still had almost 70 internal team members and over 120 suppliers.

EY wanted to push the concept of strategic outsourcing even further, evolving into what Christensen refers to as the '2nd generation IFM concept'." We had learned a lot and knew we would benefit from adopting an IFM approach in Norway and Denmark." In doing so EY added a second key supplier in the mix – Denmark-based ISS.

The second-generation IFM model gave EY even greater efficiencies. Even though EY added a second primary supplier, they reduced the number of overall suppliers to less than 30. This significantly reduced the administrative burden on the EY in-house team, allowing EY to reduce its internal team to only seven people.

Magnus Kuchler has been with EY since 2006 and has seen the progress of EY's outsourcing evolution over the years. "With each step, EY's efficiencies improved. Our overall delivery and execution were satisfactory, and we achieved our standardization and cost savings goals. However, we were still using a traditional transaction-based business model. As a Vested Center of Excellence, EY had seen firsthand the benefits of shifting to a Vested business model."

Kuchler continues, "I really wanted EY to think bigger and achieve more value from our outsourcing efforts." Kuchler's idea? Challenge EY's internal consultants specializing in Vested to look closely at EY’s own outsourcing practices and get buy-in for shifting to Vested. The findings?

- While EY had achieved success with its outsourcing efforts, it was operating a conventional approved provider sourcing model that was not strategic in nature.
- Transforming EY’s workplace would require closer collaboration with a highly strategic FM supplier.
- EY’s existing contract was highly transactional in nature – relying on a power-based mindset rather than a collaborative mindset that is mutually beneficial for suppliers.
- Shifting to a Vested business model would be the best option to help EY achieve its aggressive workplace services goals – such as being a world leader in sustainability.

Kuchler began laying the foundation for EY to shift to a Vested sourcing business model using EY’s Nordic countries as a pilot. “While I would love to have EY implementing a global Vested relationship, I knew it would be far easier to get stakeholder buy in by starting with the Nordic countries.”

EY’s official Vested journey started with EY issuing a Request for Partner (RFPartner) competitive bid to its two primary IFM suppliers. ISS was ultimately selected as the partner of choice and the parties moved forward to create a Vested agreement, inking EY’s first Vested and ISS’s fourth Vested agreement.

“The benefits of shifting to Vested are producing very real benefits for EY, ISS and our employees,” explains Kuchler. Just how significant are the benefits?

For EY, success means innovative workplace service initiatives delivering record-high user satisfaction scores and cost savings. For ISS, success means long-term secure revenue streams that have grown 51% and earned incentives that have more than doubled ISS's profitability percentage. But both EY and ISS believe the real winners are the people and the planet.

Team members love the highly collaborative win-win culture that has come from following the Vested Five Rules. Team members such as Susanne Stenhager – ISS’s Commercial Manager – welcome the positive culture stemming from the Vested Way of working. “Vested ‘What’s-in-it-for-We’ culture creates such a positive working environment. Doing business in a Vested way is really so much more fun.”

Today the EPIC partnership spans 130 locations throughout the Nordics. Christensen's slim team of just six people focuses on facilities and real estate management operations while relying on a sole source strategic partnership with ISS for supporting workplace services. Together they are vested in each other’s success as the parties strive to create EY’s Workplace for the Future.

Part 2 shares how EY laid the foundation for change.

PART 2: LAYING THE FOUNDATION

Magnus Kuchler set out to champion the shift to UT's Vested business model for EY's Nordic workplace services. A key part of laying the foundation was understanding the magnitude of change needed and getting buy in for the change. This would mean starting with a Deal Review. It would also mean developing a high-level strategy and gaining stakeholder buy-in from the EY partners that would have to approve the Vested pilot.

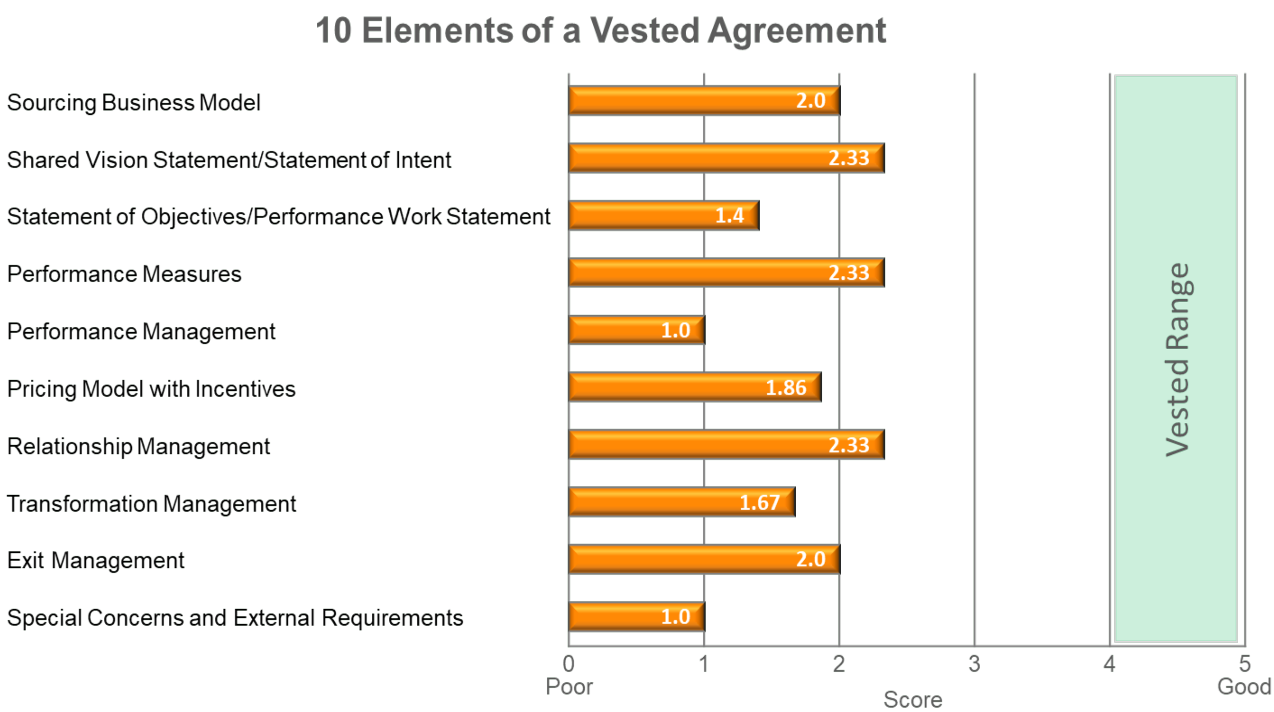
Deal Review

A Vested Deal Review assesses both the relationship and the contract, identifying gaps between the existing operating model and a Vested business model. Kuchler shares why this was important. "One of the things we recommend to our clients is to start a Vested journey with a Deal Review. So, it was important we didn't skip any steps ourselves".

Because EY was a Vested Center of Excellence they did not have to look far to find qualified consultants to support a Vested Deal Review. Kuchler volunteered Robin Warchalowski and Fredrik Nikolaev – both Vested Certified Deal Architects.

Figure 1 shares the high-level summary of the contract review, showing the contractual gaps EY would need to overcome.

Figure 1: Pre-Vested Contract Assessment



The contract review revealed EY's current outsourcing contracts were built with power-based approaches with contract terms that are more one-sided and in favor of the buying organization. Case in point is the contract referenced "Supplier shall" 92 times whereas "EY shall" was cited only 16 times. The contracts also had a one-sided termination for convenience that created a perverse incentive for suppliers to not be willing to invest in innovation and continuous improvement.

ISS Sweden's Legal Director and General Counsel Jens Holmberg explains the perverse incentive of the termination-for-convenience clause. "A 60-day termination for convenience translates to a 60-day contract for ISS. It would be against our fiduciary responsibility to invest in any programs for EY that require longer than two months to generate a return. While I'd like to say we love driving innovations for clients like EY, the elephant in the room is that EY was crazy to expect us to invest in innovation if they did the math."

One positive thing EY had strategically done is align their outsource contracts to expire on the same end date. This allowed EY to take a fresh perspective and incorporate all appropriate scope into their go-forward strategy without being locked into existing suppliers.

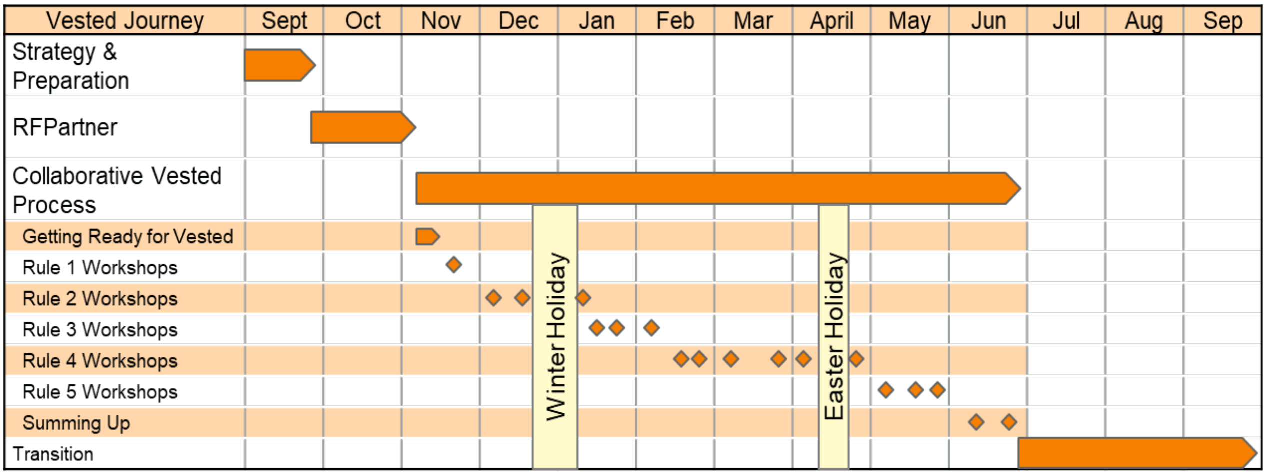
High-Level Strategy

The Deal Review convinced Kuchler, Warchalowski, and Nikolaev that Vested would be a game changer in taking EY's workplace services efforts to the next level. A key next step would be getting EY's internal facilities management leaders and procurement team on board and introducing the concept of EY's primary suppliers.

Warchalowski organized a full-day working session in Copenhagen, gathering the entire facilities management team and procurement lead – Becky Burningham – to discuss the results of the Deal Review. "We talked about the future of EY's FM operations and how outsourcing fits into our strategy. We brainstormed potential outcomes and discussed how a Request for Partner (RFPartner) could help us pick the most appropriate partner.

The team ultimately devised the one-year project plan to transform their approach from transactional to transformational outsourcing of their workplace services. (see **Figure 2** on the following page)

Figure 2: High-Level Timeline



A potential issue emerged as Warchalowski began to put more detail into the timeline. Recall that the existing FM contracts were set to expire on the same date. Completing an RFPartner process and creating a Vested Agreement typically takes at least six months – with complex deals taking up to nine months. This would mean EY could not fully ramp up the selected partner before the contracts ended. With this in mind – EY decided to extend the existing contracts by six months to allow for a proper transition.

Warchalowski also began socializing the idea of Vested with EY's two primary suppliers. Would they even be amenable to exploring a Vested relationship? Fortunately, both of EY's primary suppliers welcomed the strategic shift.

Andreas Horwitz was the Business Development lead for ISS when he first learned EY was thinking about shifting to Vested. "We started to have some conversations about Vested. I had gone to the University of Tennessee Vested Executive Education course, so Vested was top of mind for me. I had learned about the theory of Vested and had read the books and several case studies. But there was a real excitement to see how it works in practice."

Stakeholder Buy-in

With the plan coming together one thing prevented the team from an official 'go': formal buy-in from EY partners who would need to approve the strategy. Kuchler and Warchalowski knew the only way they could proceed with the Vested pilot would be to gain stakeholder buy-in from the EY partners that would have to approve the Vested pilot. Warchalowski and Nikolaev created an educational roadshow on "Why Vested for EY" to get EY partners on board.

"Educating the key stakeholders in what we wanted to achieve with the Vested model was good invested time. The first steering group meeting went like a charm and we received permission to enter into a RFPartner process with our two incumbent suppliers. We were off and running with our Vested journey." Says Robin Warchalowski

Part 3 provides insight into EY's **Strategy and Preparation** and
Request for a Partner phase.

Part 4 details how EY and their chosen partner – ISS – collaborated to **create their Vested agreement**.

PART 3 – REQUEST FOR PARTNER

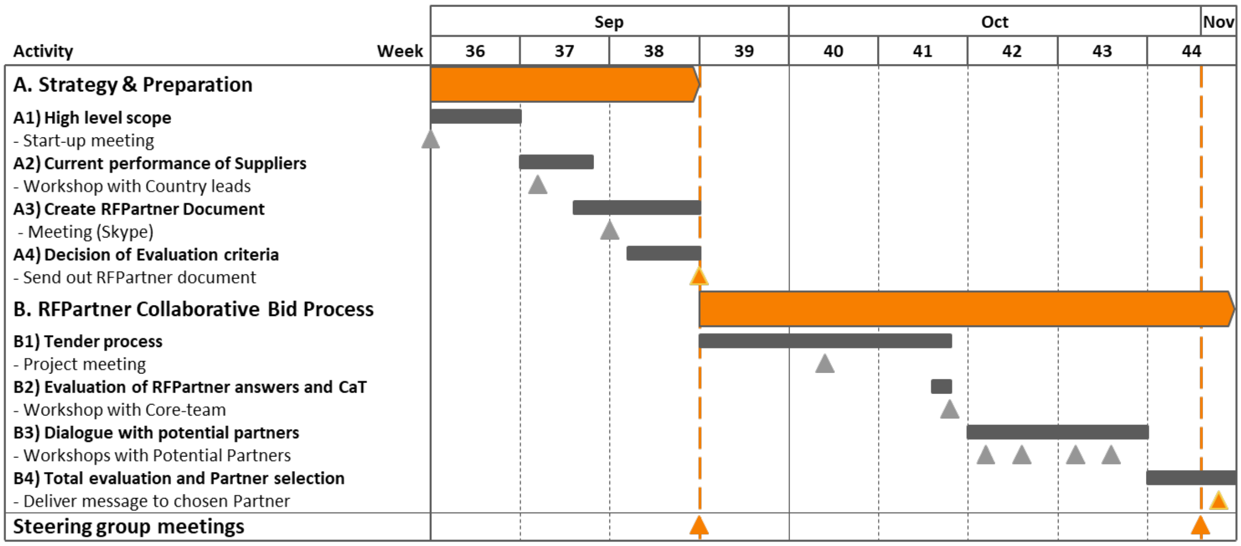
With the decision to shift to a Vested business model approved by key EY partners, the next step was to select a strategic partner that could help EY take its FM workplace services to the next level. This would be done using the University of Tennessee's Request for Partner (RFPartner) process.[1]

On the surface, the RFPartner process is similar to a typical Request for Proposal process. For example, the RFPartner process has a phase to qualify service providers (e.g., go from many to a few capable service providers). However, the RFPartner process is highly collaborative and involves a buying organization having collaborative 'dialogues' that are solutioning workshops with potential suppliers to determine which supplier is the best fit regarding overall technical/solution fit and cultural fit.

EY's RFPartner process was split into two phases. The first phase focused on strategy and preparation, and the second phase was the actual RFPartner collaborative bid process, which included the tender process and selecting the best-fit partner. Combined the process took nine weeks. (See **Figure 3** on the following page)

[1] The RFPartner process was developed by University of Tennessee (UT) 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. For more information about the RFPartner process visit UT's research library at www.vestedway.com and download white papers and case studies related to collaborative bidding and the RFPartner process.

Figure 3: RFPartner Process High-Level Timeline

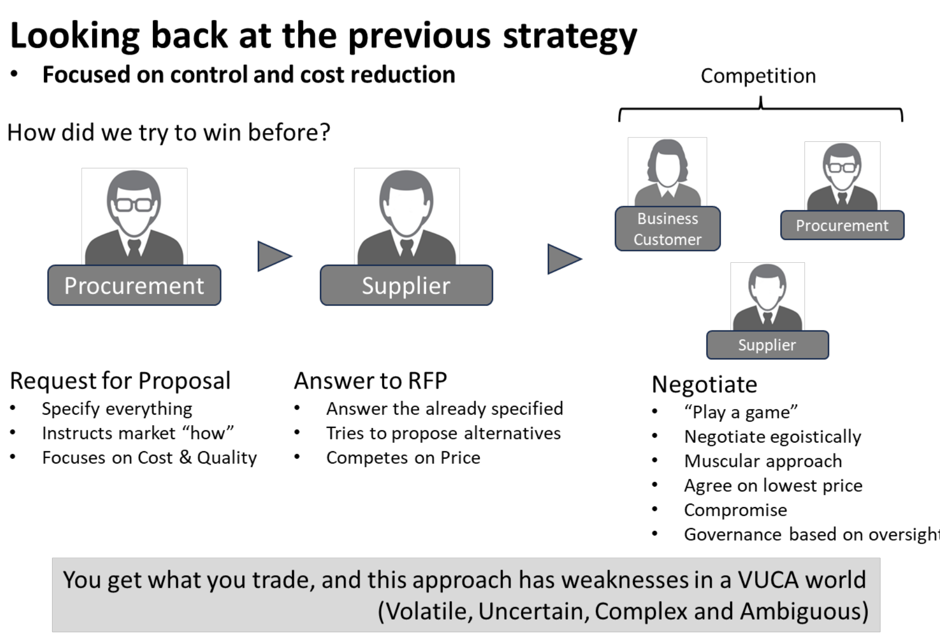


The rest of Part 3 walks through each step and how EY approached each step.

A1. Strategy and Prep: High-Level Scope

The RFPartner kicked off with a strategy workshop in Copenhagen with a much broader stakeholder group.

The workshop kicked off with Warchalowski and Nikolaev educating team members on basic game theory and differences in different RFX approaches. The team had an eye-opening discussion when looking back at the previous strategy EY had used during their bid process.



The team concluded that although EY had achieved great cost reductions, standardisation and control, EY had lacked innovation, transformation and true collaboration on value creation.

A key part of those early meetings focused on defining the scope of services to include in the RFPartner bid documents. The scope would be pan-Nordic, including all offices across Sweden, Norway, Finland, and Denmark. This included EY's seven Nordic flagship offices in Malmö, Gothenburg, Stockholm, Oslo, Bergen, Stavanger, Helsinki and Copenhagen and all of the smaller offices – a total of 130 offices spanning 110,000 square meters.

The scope included ten workplace services, innovation and new projects, and governance services (stakeholder management, strategic operations management, financial management, and compliance/CSR management). See **Figure 4**

Figure 4: Scope of Services

At the time, EY worked with just under 30 FM suppliers, two of whom were primary IFM suppliers. Warchalowski and Nikolaev recommended the RFPartner should only be issued to EY's two primary suppliers with the rationale that EY had already gone through competitive bids in the past which had already successfully narrowed the playing field to the two most capable suppliers.

This initially made Becky Burningham nervous. As EY's Director of Supply Chain Services Burningham was the designated procurement lead on the RFPartner process. "A typical bid process would include a long list of suppliers. The RFPartner was targeted to only go to EY's two primary incumbent service providers. To me this was highly unusual because it felt like EY was removing the competitive tension from the bid process. Because I had never participated in an RFPartner process before, the EY Vested Certified Deal had to spend extra time helping me get my head around why such a limited supplier pool would be a good thing. But the more I learned, the more I felt comfortable with the process."

A2. Strategy and Prep: Current Performance of Suppliers

With the high-level scope defined, Warchalowski and Nikoalev facilitated a workshop with EY Country FM leads to review the strategy, enlist their support in the change management process and review the current performance of the suppliers. As part of the workshop the Country FM leads did two exercises. The first was "What is our FM-Nirvana?" which led to the first draft for EY's Desired Outcomes. The second was a "12 Ailments of Outsourcing Assessment," which identified common perverse incentives in how they were working with EY's two primary suppliers in the current transactional IFM-contracts. Combined the workshop and output set the stage for the team to re-think how they would create the RFP documents.

A3. Strategy and Prep: Create RFPartner Documents

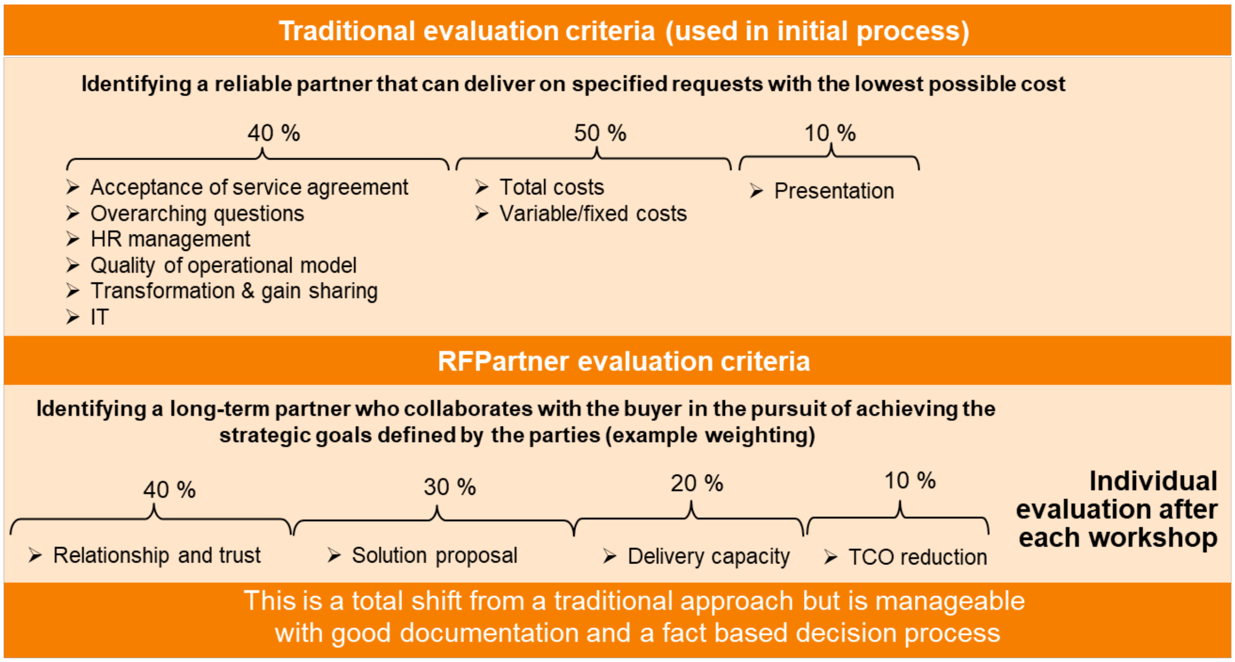
Rule 2 of the Vested methodology is 'Focus on the What, not the How.' When an organization uses a RFPartner process the bid documents follow this rule. A traditional bid process includes technical specifications for the work and asks suppliers to propose how they meet the specifications and at what price. An RFPartner flips this traditional bid process on its head and seeks to identify and define the optimal solution for meeting the buying organization's needs. Suppliers are deemed experts and are invited to participate in 'solutioning' workshops where they have transparent and candid dialogues to help the buying organization develop the best solution to meet their unique needs.

Because EY had already been working with suppliers it was easier for EY's procurement team to accept this mindset change. Becky Burningham shares, "We had comfort the suppliers knew the details of the work because they had been doing the work for several years. As such, the nature of the bid documents did not have to go into detail on 'how.' Instead, we could focus on 'what' EY was trying to accomplish versus documenting the specific requirements in the form of a Statement of Work suppliers would price."

A4. Strategy and Prep: Decision on RFPartner Evaluation Criteria

A key difference between a conventional Request for Proposal process and a more collaborative RFPartner process is formally incorporating 'cultural fit' and 'solution fit' as Award Criteria in the service provider selection process. **Figure 5** compares typical conventional evaluation criteria with EY's RFPartner evaluation Award criteria.

Figure 5: Evaluation Award Criteria



It is easy to see how 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 that would collaborate with EY to achieve strategic goals defined by the parties. EY's RFPartner criteria included four main buckets – relationship and trust, solution orientation, delivery capacity, and TCO reduction. The EY Core Team developed detailed evaluation criteria for each of the four "buckets," which was presented to the Steering Committee. (See **Figure 6** on the following page)

Figure 6: Overview of Evaluation Criteria

Criteria		Weighting	Description
1	Relationship and trust	40 %	The supplier must have an organization that will fit well with EY's culture. This involves having a culture and behavior that expresses a high level of confidence, where cooperation, communication and innovation are in focus. In addition, there should be a strong and sincere interest in entering into a relationship-based contract with EY.
2	Solution orientation	30 %	How well the solution helps to achieve EY's strategic goals. The solution has high credibility, high quality and is innovative. The solution describes key people who will fit in well as part of EY's future solution. The solution uses technology and innovation in an excellent way.
3	Delivery capacity	20 %	There is high credibility in the supplier's capacity to deliver the proposed solution, as well as flexibility in the scaling of it.
4	TCO reduction	10 %	The size of possible reductions in Total Cost of Ownership must be indicated in an interval[2]. Evaluated from intervals, as well as credibility of the reduction being achieved.

Each evaluation criterion was supplemented by a detailed appendix on how EY would score each criterion in a fair and objective manner. EY would use the evaluation criteria during the bid process – especially during the collaborative solutioning workshops.

The Core Team added the evaluation criteria into the RFPartner documents which were sent to the two participating suppliers.

B1. RFPartner: Tender Process

The formal tender process asked suppliers to first answer bid questions. The purpose of this stage would be to give the core team evaluating the suppliers an understanding of the supplier capabilities before going onto the technical and relational workshops. Because EY had already been communicating with potential partners that the RFPartner process was coming it was not a surprise. This allowed service providers to be ready to respond quickly.

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[2] *The suppliers are asked to give a minimum and maximum possible TOC reduction based on their understanding and experience. During evaluation, the project group compared the average of min and max given by each supplier between the different suppliers.*

EY was also standing by to answer questions suppliers had to ensure the suppliers received timely answers to their questions.

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 solutioning workshops that are transparent and open in nature. EY's RFPartner process followed this approach.

Henrik Møhl was the ISS Nordic Key Account Manager at the time and remembers getting the official call from EY's Becky Burningham. "Becky explained the RFPartner process and invited us to participate in the solutioning workshops where we could bring our best-of-the-best ideas to help EY determine if we would be the best-fit supplier in helping them with their workplace services transformation efforts."

Møhl had no first-hand experience working with Vested at the time, but he was familiar with Vested. "Fortuitously, I had attended the University of Tennessee's Vested Executive Education course earlier in the year. Needless to say, I was on board immediately. I remember calling my boss and telling him I wanted to be part of the RFPartner process and be on the Core Team if ISS was selected as the partner of choice."

In a traditional bid process Møhl would be on the sidelines during the bid and contracting process. "Usually, ISS has our sales and commercial team lead the bidding process. However, the RFPartner process was entirely different because it calls for a supplier to have operational folks like me to attend the solutioning workshops and participate in writing the agreement."

The bid process did not come without its challenges for ISS. Møhl explains, "The biggest challenge was convincing ISS commercial and sales team members that we should not oversell ourselves and should not try to propose anything that we weren't able to showcase that we could deliver on."

B2. RFPartner: Evaluation of RFPartner Answers

The evaluation team consisted of the EY Country FM leads from each of the Nordic countries and Becky Birmingham from procurement were chartered to work through the supplier bid documents.

The evaluation of suppliers' "paper" bids was important because it allowed the evaluation team to thoroughly read and understand the supplier's responses to the questions. As part of the paper bid evaluation the team performed initial ranking of each of the suppliers against a pre-defined evaluation scale **(Figure 7).**

Figure 7: Evaluation Scale for Each Bid Question

Points	Adjective	Category
10	Optimal fulfillment of requirements	Proposal is considered as optimal with regards to the specific topic.
9	Excellent	Proposal is considered as good with regards to the specific topic.
8	Very good	
7	Good	
6	Slightly over neutral	Proposal is considered as neutral with regards to the specific topic.
5	Neutral	
4	Slightly under neutral	
3	Poor	Proposal is considered as poor with regards to the specific topic.
2	Very poor	
1	Extremely poor	
0	Requirements not fulfilled	Proposal does not fulfill the requirements with regards to the specific topic.

As the evaluators scored each paper bid, they inserted a mandatory column called "Gap to reach score 10". This intentionally forced the evaluators to consider WHY they give a score a particular answer and requires them to think one step further what an ideal answer would have been. As part of the evaluation, team members also did reference check calls with each of the supplier's reference clients to look for additional material for questions or weak points to include in the technical dialogue workshop.

After the evaluators completed their scoring, Warchalowski and Nikolaev facilitated a workshop with all of the evaluators to discuss the RFPartner submission and align on scoring on the different parameters. With everyone aligned the team was now prepared to begin the dialogue with each of potential partners for both the technical and relational solutioning workshops.

B3. RFPartner: Dialogue with Potential Partners

The dialogue phase spanned nine days. Each potential partner participated in four solutioning workshops; two focusing on the relationship and two focusing on technical delivery.

The relationship workshops were designed to discuss the partner-match and optimal sourcing business model. For example, EY and each supplier completed a sourcing business model map analysis to confirm each partner's comfort with moving to a Vested sourcing business model. The two technical workshops were designed to help EY and the partners determine the delivery capacity and solution.

By design, the workshops were done as individual meetings with service providers. Service providers were encouraged to ask questions during the RFPartner process to help them develop their solution as they moved through the RFPartner process. EY actively scored each partner with regard to the evaluation criteria based on the solutioning workshops. (**Figure 8**)

Figure 8: Workshop Agenda

		Evaluation criteria
Solution and technical competence (2 Workshops)	**Discuss solution proposal and technical competence:** ▪ Solution proposal based on Desired Outcomes ▪ TCO-reduction ▪ The scope of the delivery and competence/capacity	• Solution proposal • Delivery capacity • TCO-reduction
Relationship (2 Workshops)	**Building relation and laying the foundation for development of a future agreement:** ▪ Foundation for trust, transparency and compatability ▪ Mutual vision and Desired Outcomes ▪ The six guiding principles ▪ The sourcing business model ▪ Challenges and success criteria	• Relationship and trust

Burningham explains the difference between a conventional approach and the RFPartner process. "Our traditional Request for Proposal process is more of a desk exercise. We send out a detailed bid document and several suppliers respond. You then meet with suppliers maybe once or twice about any gaps. While the traditional bid process works for picking a supplier for more of a commodity, you never get into the real depth of the outcome and delivery of the solution you need when selecting a true strategic partner. In the RFPartner process, we spent time together in a very interactive workshop environment, which allowed us to get to know each other on a very personal level. The focus flips and gives ample time for the buyer and suppliers to align on the bigger picture."

B4. RFPartner: Total Evaluation and Partner Selection

The final step in the RFPartner process was to review the evaluations and select the partner. The final evaluation was based on the supplier's written proposal as well as the solutioning workshops. Burningham adds, "The process and being in the room with the supplier in that kind of capacity showed just how quickly you could establish. When you start seeing people working in the interest of one another, you can tell if they have the right intentions. It's something you cannot simply fake. Over the course of the four solutioning workshops we could tell which supplier was the best fit."

EY ultimately decided to move forward with ISS as its chosen partner.

But for Burningham, the work was not over. Burningham notified ISS and began the planning for EY and ISS to ramp up for the Creating Vested Agreement workshops. In addition, Burningham would go on to do a supplier debrief meeting with the non-selected supplier. She also began scheduling face-to-face meetings with specialist suppliers who would ultimately need to shift their workscope to work with ISS.

Burningham –a self-admitted skeptic of the RFPartner process at first – became convinced of the value of the more collaborative approach for selecting a strategic partner. "I was really impressed with how well the whole process worked and how quickly we picked what everyone felt was the right partner."

Andrew Price – ISS's Head of Strategic Growth – was also impressed with how quickly the RFPartner process went. "I appreciated the speed of the RFPartner process. In a traditional bid process, we often spend months answering a variety of questions that, quite frankly, are difficult to comprehend from a supplier's perspective. Participating in an extended bid process requires a significant investment of both time and money. As a supplier, we'd much prefer to fail quickly and know early on if we are not the right fit."

Part 4 shares the ***Getting Ready*** phase of the Vested journey

PART 4: GETTING READY

University of Tennessee research shows that teams who take time to "get ready" are far more likely to have an easier time creating a Vested agreement. The Getting Ready phase included selecting a Standing Neutral to provide coaching support, finalizing the team members who would be on the Deal Architect Team, finalizing a detailed project plan, and ramping up team members on Vested training.

Selecting a Standing Neutral

While not required, the University of Tennessee highly recommends that the team engage a Certified Deal Architect (CDA) Coach[3] to serve as a neutral coach to help companies as they create their agreement. The parties ultimately decided to engage Erik Linnarsson – a lawyer from Swedish-based Cirio Law Firm – as its CDA Coach.

At first, some Eyers didn't understand why they should use a neutral coach. For EY's Burningham, having a neutral coach "felt odd." But after being on the team the value of the coach became apparent. "It is very easy to fall back on the traditional 'buyer-vs-supplier' mindset. The CDA coach plays a critical role in helping challenge traditional power-based approaches and getting both parties to a true win-win agreement," shared Burningham.

Jens Holmberg – ISS's Legal Director for Sweden – was a fan of incorporating a Standing Neutral. "Including a neutral Certified Deal Architect coach to facilitate the us in working through the Vested methodology was quite smart because it really helped us all learn what a good Vested agreement looked like. While we could have not used a coach, having one proved to be very valuable in terms of both improving the efficiency and quality of the decisions we made as we all learned the paradigm shift of following the Vested Five Rules."

Finalizing the Deal Architect Team

EY and ISS set out to finalize the Deal Architect Team. The Deal Architect team members would work side-by-side to translate the intent of the relationship into a win-win contract that follows the Vested Five Rules. The cross-functional team had 12 'Core Team' members and nine extended team members who provided specialist support. True to the Vested methodology, the vast majority of the Core Team had also participated in the RFPartner process. **Figure 9** on the following page illustrates the Deal Architect team.

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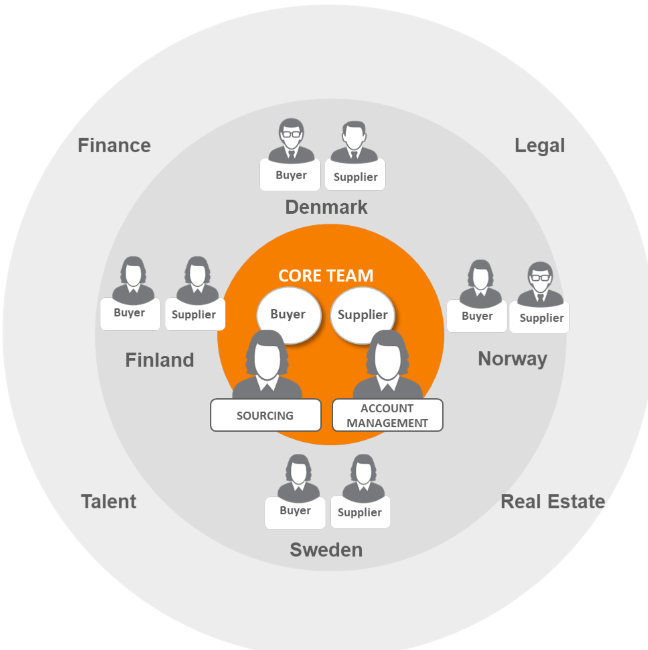
[3] *The University of Tennessee launched its Certified Deal Architect (CDA) program in 2011. The program includes five levels ranging from a Foundation Certificate to a CDA Coach.*

Figure 9: the Deal Architect team



ISS's Henrik Møhl loved being on the Deal Architect Team. "It was very different from the traditional approach for making contracts because team members who were writing the contract are also responsible for delivering it. Normally, the sales and commercial team leads the effort of doing the contract, and then it is thrown over the fence to operations. The Vested methodology is so much better because it creates continuity and personal ownership."

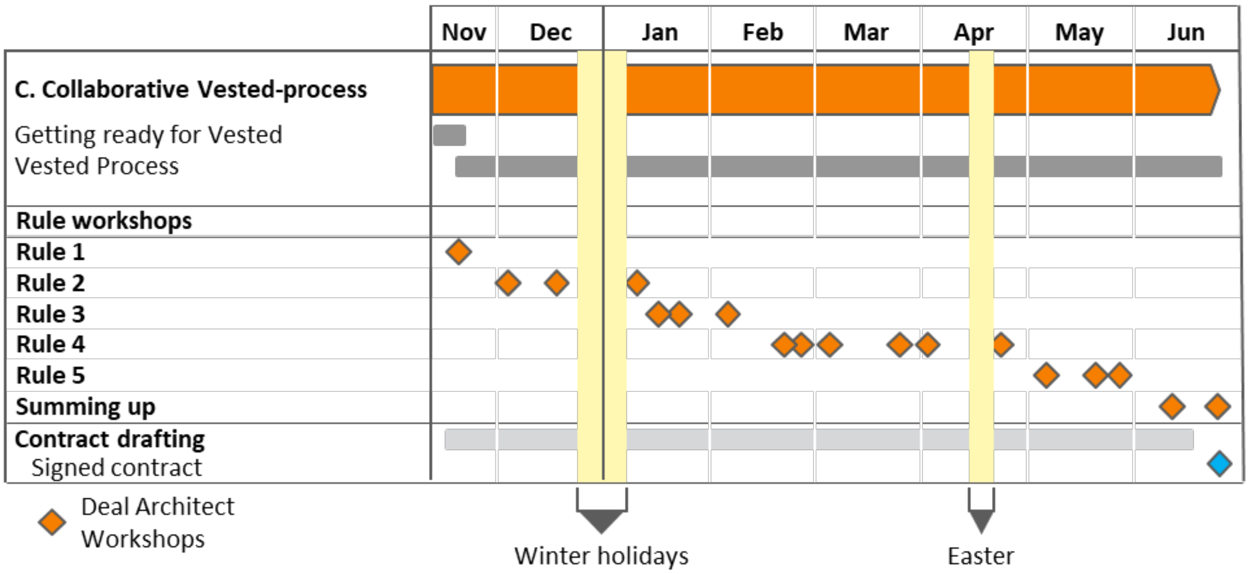
In addition to creating a Deal Architect Team, the parties created a joint steering committee to vet the work of the Deal Architect Team and ultimately sign off on how the parties would operationalize the Vested Five Rules and ratify the contract.

ISS's Andrew Price shifted from being in all of the RFPartner workshops to a role on the Steering Committee. "An interesting thing about Vested is the context of how the Steering Committee works. It – like the RFPartner process and the co-creation of the Vested agreement – is very collaborative. Our role on the Steering Committee was to challenge the Deal Architect Team to make sure they were thinking win-win for both parties, so it was a very supportive and advisory role rather than an antagonistic and negotiating role. Quite honestly, I found it very refreshing."

Creating the Project Plan/Timeline

One of the early discussions was around how long it would take to work through the Vested process to get to a contract. Because EY and ISS both had experience with Vested, the timeline was not a surprise. The team ultimately created an eight-month timeline, which factored in ample time for holiday breaks. (see **Figure 10** on the following page)

Figure 10: High-Level Timeline



The timeline called for the Deal Architect Team to participate in 18 workshops (noted with orange diamonds) where they would learn about each of the Vested rules and then translate the Vested rules into their contract. In addition, the schedule factored in parallel workstreams such as collecting and analyzing baseline data, managing existing supplier relationships, and a legal/contracting workstream that would translate the "rules" the team developed into a formal contract.

Henrik Møhl was initially not a fan of the timeline. "I thought it was crazy to have so many workshops that would have so many people and take so much time. In the beginning, I didn't understand why this was needed. However, having gone through the process and earning my Certified Deal Architect, it is now clear why the process and workshops are laid out the way they are. The focus and alignment we had stemming from the Vested workshops was amazing."

Burningham did not create the timeline – but became a fan of the flow of how the team created their Vested agreement. "I really liked the stage-gate approach where we worked through each Vested rule before moving on. The stage-gates were very good in terms of managing everyone's thought process. The whole process was very enjoyable because we could spend the time we needed in each of the workshops both building relationships and building the solution of how we would follow the Vested Rules."

Guardrails

One of the first deliverables from the team was to solidify their Guardrails. In the Vested methodology, Guardrails define the agreement boundaries between the buyer and service risk zone and are basically the parties BATNA (best alternative to a negotiated agreement) – or more simply put the 'walk away' points for both parties. The Deal Architect Team is chartered to create an agreement that falls within the Guardrails.

Kuchler explains the power of Guardrails, "In conventional outsourcing deals the parties do not reveal their BATNA position. The thinking is if you share your walk away point the other party will push you to take a deal that is less than what you could get with tough negotiating. But Vested turns this on its head and instead charters the Deal Architect Team to come up with a deal that optimizes the value for both parties. By agreeing on Guardrails, you are in essence keeping each party safe and in the rails of their comfort zone."

Figure 11 on the next page shares the EY and ISS Guardrails.

Figure 11: EY and ISS Guardrails

EY Guardrails	ISS Guardrails
Duration of the agreement: 5 Years minimum Absolute legal requirements, terms or company guidelines • Comply with independence requirements (including EY's right to termination if EY reasonably determines that its professional obligations or requirements related to independence matters applicable to EY or to any EY Firm require such termination) • The Supplier is required to follow EY Supplier Code of Conduct Compliance and Security for all employees involved in the contract (including sub suppliers') • Mandatory security requirements (e.g. Employee vetting (depending on country), NDA) • Undergoing Vendor Assurance Process IT requirements • Signing of the Vendor Controls Exhibit (VCE) (IT) Transparency • EY requires the supplier to accept an Open book environment • Further to be open about direct cost and indirect material. The partnership also needs to be transparent regarding the surrounding economy; e.g. • Potential Purchasing income is part of the joint partnership • Third parties cost structure and terms should be aligned to the extent reasonably possible to that of our Vested partnership Principle for collaboration • **Desired outcomes**: EY requests that the supplier along with EY will work to meet all desired outcomes, supported by a firm commitment of technology and transformational implementation **Minimum cost reduction targets:** Due to the uncertainty of the new scope the supplier is not bound by the TCO-reduction interval provided in the RFPartner. EY however, due to the upturn in scope, requests a TCO-reduction in year 1 and a minimum 5% reduction over year 2 and 3.	**Brand**: EY & ISS shall aspire to outcomes that will strengthen the perception of our respective brands Profit can depend on performance • **Costs are costs**: ISS' profit can depend on performance but neither party shall absorb costs associated with the provision of services • **Commercial**: EY & ISS shall win and lose together; when desired outcomes are achieved, the collaboration shall support ISS in achieving a minimum of 7.5% operating net margin over the term **Responsibility**: EY & ISS shall allocate risk to the party in control of such risk; and we will jointly mitigate risks that cannot be controlled **Value creation**: The collaboration shall allow EY & ISS to make sound investments that create value and are necessary to provide a great workplace experience Principle for collaboration **Behavior**: The behavior of EY & ISS shall be true to our agreed guiding principles, our corporate values and the purpose, pride and safety of our employees.

Ramping on Training

A key part of the Vested methodology is integrated "learning and doing". The Deal Architect Team members enrolled in the University of Tennessee's Creating a Vested Agreement online course. Team members learned the fundamentals of Vested (the why and how) in the online course and then were challenged to put the Vested theory into practice during the deal architecting workshops.

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

The Deal Architect workshops were scheduled into the project plan (as noted by the orange diamonds in **Figure 10** above). The order of workshops flowed to the Five Rules. For example, in Rule 1 workshops, the joint team creates the Shared Vision for the partnership and defines the outcomes. In Rule 4 workshops the team develops the pricing model.

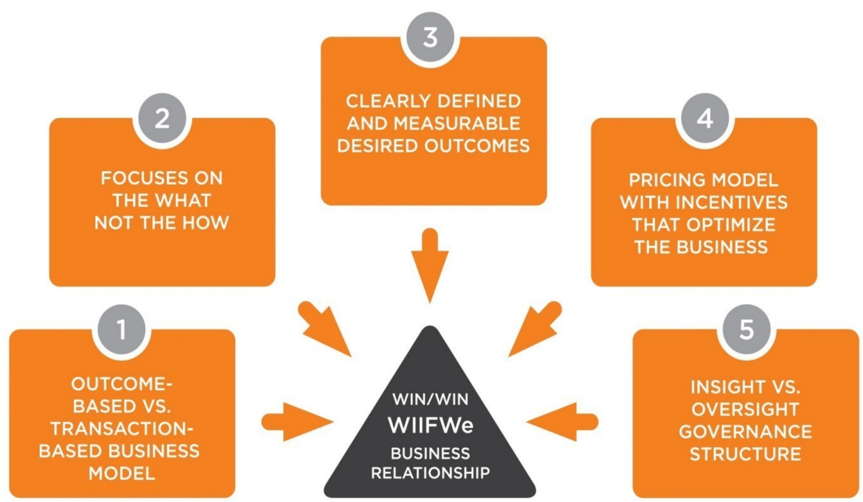
The rest of Part 4 details how EY and ISS followed the Five Rules and ***created their Vested agreement*** while Part 5 profiles how the parties transitioned into "***lived into their agreement".***

PART 5: CREATING A VESTED AGREEMENT

Vested is a business model, methodology, mindset and movement for creating highly collaborative business relationships that enable true win-win relationships where both parties are equally committed to each other's success. Vested creates a self-correcting system where the rules create positive tension on the parties to collaborate on mutually defined Desired Outcomes. A win for the supplier is a win for the buyer – and vice versa.

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

Figure 12: The Five Rules of Vested



While EY had significant experience consulting clients to shift to Vested, they would now need to learn what it was like to apply the Vested Five Rules internally to transform how they worked. On the other hand, ISS had three other Vested agreements at the time and had an idea of the magnitude of change the parties would need to tackle.

Rule 1: Focus on Outcomes, Not Transactions

Rule 1 of Vested is to reframe the thinking to one that shifts from focusing on transactions to one that focuses on mutually defined Desired Outcomes. This would mean EY and ISS would need to flip their existing relationship on its head as they set out to define the future of what they wanted from the partnership.

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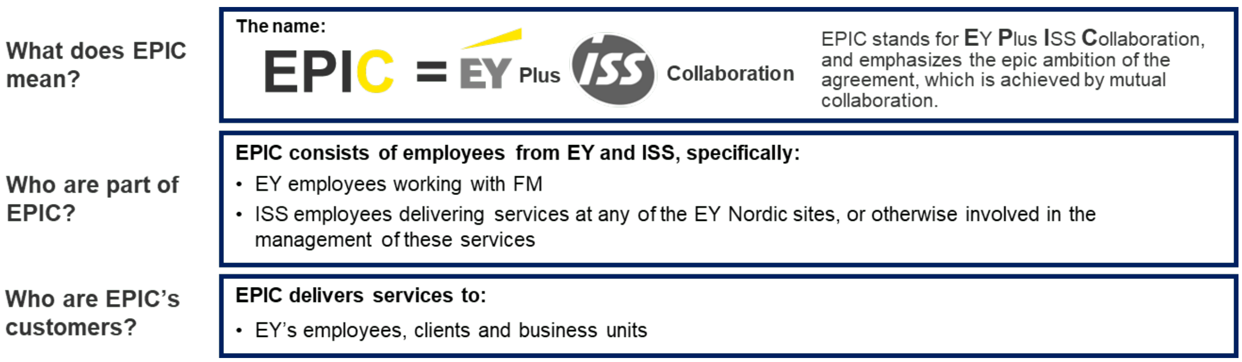
[4] *Kate Vitasek, Mike Ledyard and Karl Manrodt, Vested Outsourcing: Five Rules that Transform Outsourcing (Palgrave Macmillan, first edition in 2010).*

Out of the gate, the Deal Architect Team set out to create a name for the partnership. The name that stuck was 'EPIC'– a phrase that would not only remind all team members during the creation of the Vested agreement about the strategic nature of their partnership – but also a name that would mark the cultural change they would be rolling down to the hundreds of team members working on the field throughout the world after contract signing. **Figure 13** shares the context behind the EPIC name.

Figure 13: Context Behind the EPIC Name



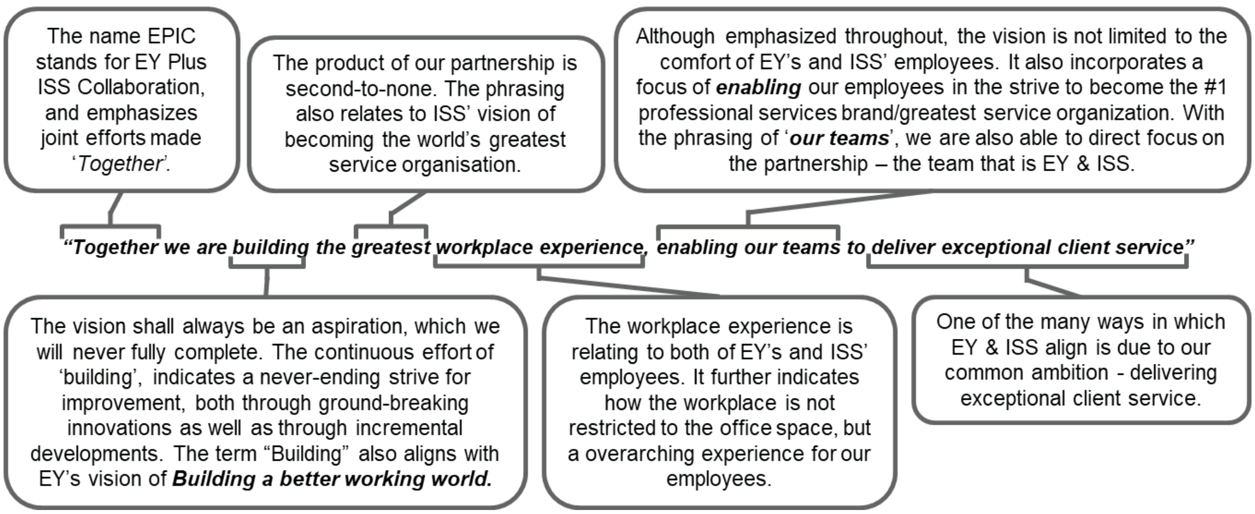
With the name EPIC solidified, team members turned their focus on creating their Statement of Intent for the partnership. A Statement of Intent combines a formal Shared Vision, high-level Desired Outcomes and Guiding Principles for the partnership.

The parties co-created their Shared Vision that was simple yet visionary:

> "Together we are building the greatest workplace experience, enabling our teams to deliver exceptional client service"

As the team co-created the shared vision, they sought powerful words to serve as the relationship's north star. **Figure 14** on the following page breaks down the meaning of each key phrase in the shared vision.

Figure 14: Meaning Behind the Shared Vision



With the Shared Vision in place, the team mutually defined five high-level Desired Outcomes. Desired Outcomes are boundary-spanning business outcomes the parties agree to collaborate on and invest in to drive transformation.

The last element of the Statement of Intent was to adopt Guiding Principles for the EPIC partnership. Guiding Principles are proven social norms used to create the foundation of a Vested partnership. The Guiding Principles are also formally incorporated into the contract. This means not only using the Guiding Principles to make fair and balanced decisions during the workshops for creating a Vested agreement but also using the Guiding Principles post-contract signing to guide the parties' behaviors for working together.

Warchalowski explains the effect of the Guiding Principles in practice. "The Guiding Principles direct team members to avoid the temptation to fall back on power-based or short-term opportunistic behaviors."

Figure 15 on the next page shares the EPIC Statement of Intent.

Figure 15: EPIC Statement of Intent

EPIC Shared Vision

Together we are building the greatest workplace experience, enabling our teams to deliver exceptional client service

Achievement is reflected in the Desired Outcomes

1. Build the best workplace experience that attracts, retains and engages the right people for EY & ISS
2. Create a seamless workplace experience that enhances the performance of our teams
3. Develop a sustainable workplace that reduces EY's environmental impact
4. Optimize the total cost for the workplace service delivery
5. Live and grow the EY & ISS Collaboration (EPIC) successfully

EPIC Guiding Principles

Reciprocity: Give and Take.	We will not make any demands upon the other that are not fair and balanced. Both parties agree to be solution oriented and pragmatic and make fair exchanges over time, within the scope of the agreement, regarding rights and obligations, as well as the distribution of costs, risks and opportunities.
Autonomy: Refrain from using power	We see each other as equals and we trust each other to act based on what is best for the partnership. We will refrain from using power to impose interests that are in conflict with the benefits of one of the parties or the partnership. We agree to base decisions on objective and rational arguments that support the Shared Vision and Desired Outcomes.
Honesty: Be honest and transparent	We proactively and truthfully share facts, information, intentions and experiences and respect different point of views for the best interest of the partnership.
Loyalty: We are in it together	We will be loyal to the partnership and protect each other’s brand, by treating each other’s interest as being equally important and by considering the relationship as ONE virtual entity. Both parties will therefore strive to generate the greatest value for the partnership.
Equity: Proportional risks & returns	The parties agree to ensure a fair and appropriate distribution in the relationship between risks and rewards, investments and compensation and allocation of responsibilities. For us equity means that a party’s ability to mitigate a risk or cost will affect its’ comparative distribution.
Integrity: Consistency in words and actions	We agree to be consistent and align our words and our actions. We agree to make decisions in accordance with the Guiding principles and avoid opportunism and focus on the long-term partnership.

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 partnership's overall scope. The first thing the EPIC Deal Architect Team did as part of Rule 2 was put more detail around the Desired Outcomes by identifying eight strategic objectives that would best enable the parties to achieve the Shared Vision. **Figure 16** illustrates how the Shared Vision, Desired Outcomes and Strategic Objectives align to create a roadmap for the parties.

Figure 16: Desired Outcomes and Strategic Objectives

Joint Vision	Desired Outcomes	Objective
"Together we are building the greatest workplace experience, enabling our teams to deliver exceptional client service"	1. Build the best workplace experience that attracts, retains and engages the right people for EY & ISS	1.1 Achieve a highly attractive and satisfying workplace that creates well being for our employees
		1.2 Develop highly engaged ISS employees
	2. Create a seamless workplace experience that enhances the performance of our teams	2.1 Improve productivity and workplace convenience
	3. Develop a sustainable workplace that reduces EY's environmental impact	3.1 Reduce environmental footprint
	4. Optimize the total cost for the workplace service delivery	4.1 Achieve a sustainable baseline-saving
	5. Live and grow the EY & ISS Collaboration (EPIC) successfully	5.1 Continuously improving the relationship
		5.2 Onboard all relevant stakeholders
		5.3 Ensure seamless transitions (temporary objective)

The second key deliverable from Rule 2 was to create what is known as the Taxonomy and Workload Allocation in the Vested methodology. The Taxonomy is an end-to-end inventory of the work needed to achieve the Shared Vision and Desired Outcomes within the scope of the partnership. The ultimate scope was far-reaching, including typical services such as cleaning and waste management, food and beverage services and security. However, it also included highly strategic work such as strategic planning support.

With the high-level taxonomy complete, the Deal Architect Team went on to have smaller functional focused teams work through a Workload Allocation to define who would do what (see **Figure 17** for an excerpt of the "Cleaning and Waste" part of the Taxonomy/Workload Allocation.

Figure 17: Example Excerpt of the EPIC Taxonomy/Workload Allocation

Process level 1	Process level 2	Process level 3	Vestified "What"	Responsibility		
				EY	ISS	Landlord Third parties
WS3. Cleaning and waste						
	WS3.1 Cleaning					
		WS3.1.1 General cleaning				
			The office should be clean, tidy and give a professional impression.		*X*	

There are multiple activities and services that should be performed to make sure EPIC reaches the Desired Outcomes.
In the example above regarding cleaning, it is apparent that ISS is responsible.
There is however no contractual description of HOW cleaning should be done.

Completing the Taxonomy and Workload Allocation differs significantly from the traditional approach of doing a "statement of work" because it is both bilateral and does not go into detail on telling the supplier "how" to do the work. The rationale is simple. First, suppose a buying organization tells the supplier how to do the work. In that case, they are, in essence, putting handcuffs on the supplier and buying the status quo – something EY desperately did not want to do since ISS was the expert in delivering workplace services. Second, having an end-to-end bilateral view of the work helped EY and ISS each clearly see their role in collaborating to achieve the Shared Vision.

Henrik Møhl explains the power of Vested Rule 2 and how it changes the culture of the frontline workers at ISS. "Focusing on the what and not the how creates a mindset change with the frontline workers at ISS. It's a simple rule, but it shifts the way frontliners approach their work from a list or task mentality to one where they are challenged to think about 'what is important to the EY end-users right now.' This ultimately creates a culture of empowerment on the frontliners, which does two things. First, it allows ISS to adapt and flex work in a timely manner, and second, the empowerment leads to happier employees."

Rule 2 was also where the parties built on the concept of innovation stemming from the RFPartner process. Nikolaev recalls doing a 'Pony Hunt' where the joint team identified Pony's. A Pony is a transformative initiative that contributes to achieving the parties' Desired Outcomes and Objectives. "ISS hosted the Pony Hunt at their 'corporate garage' which had writable walls and hammocks and hundreds of sticky pads. The setting tapped into everyone's creativity and we came up with over 80 Ponies."

Rule 3: Clearly Defined and Measurable Outcomes

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

As mentioned in Rule 2, EPIC had eight strategic objectives linked to five Desired Outcomes. Using the Requirements Roadmap tool, the Deal Architect then mapped a metric to each objective.

EY's Nikolaev explains how the team did this. "Using the Requirements Roadmap toolkit helped us think about where we were going. It is common in outsourcing deals to fall into the trap of coming up with dozens (or even well over a hundred) of service-level agreements measuring the supplier's performance on how they perform tasks. But this is very transactional thinking. The Vested methodology forced us to think about how to measure where we were going." A simple way to think about it is that Vested buys the future, not just measuring supplier performance on the tasks they are doing today.

ISS's Møhl agrees. "Prior to Vested, we used all kinds of random metrics, which, to be honest, didn't add value to the end user. What Rule 3 did was to help us rethink how we measure success aligned with our Desired Outcomes and where we want to be in the future."

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 pallet storage, etc.). In a Vested partnership, a buyer and service provider jointly develop a pricing model with incentives that reward 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 they earn.

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 service providers to drive down costs and reward them for achieving non-cost-related Desired Outcomes such as helping EY achieve its sustainability goals.

Co-creating a pricing model is typically the most challenging part of creating a Vested agreement. This was no exception for the EPIC Deal Architect Team. To physically create the pricing model the parties selected a smaller subteam of the Deal Architect Team.

The team aligned ISS's services into four "buckets" as they developed the pricing model.

- **Base Services** which include the workplace services (e.g., cleaning, dining, reception).
- **Variable Services,** which includes user-paid services, client-paid services, projects delivered by ISS, subcontracted projects, and projects ISS is asked to support outside of the scope.
- **Governance** which includes funding the core governance team as well as specialists brought as needed.
- **Transformation** which allowed TCO and non-TCO transformation initiatives that created value beyond cost savings that help EPIC deliver on its Desired Outcomes

Once the services were aligned into the cost driver buckets, the team set out to determine the fair “base” profit targets. True to the Vested methodology, EPIC used the rules of thumb suggested by the University of Tennessee where the service provider costs are covered with a baseline minimum profit target below market benchmarks. The rationale is the supplier should *not* be highly compensated for simply showing up to do the work.

A second key design principle when creating a Vested pricing model is to align incentives to the Desired Outcomes with a mix of monetary and non-monetary incentives. Incentives align to the Desired Outcomes with some being tied to performance against “base” services and others being tied to achieving transformational and governance objectives. The rationale is the supplier should earn the majority of their compensation when they deliver value against the Desired outcomes.

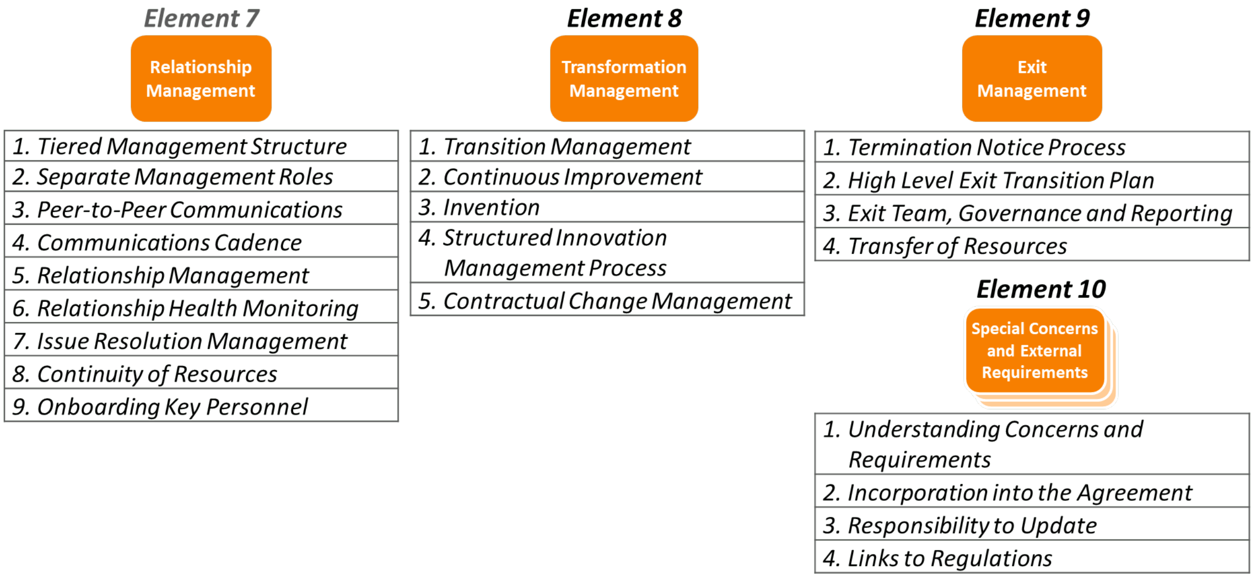
Horwitz was on the Deal Architect Team and found Rule 4 the most difficult Vested rule but also the most interesting. “As the business development leader, I had seen firsthand how money moves the world around. Rule 4 is where the rubber hits the road with Vested because you translate your intentions into an economic model. Our neutral CDA Coaches from Cirio Law Firm really helped us think outside of the box where we could start to align the economics and incentives to the intentions.”

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 are the beacons of the relationship, governance provides the structure and mechanisms for the parties to stop and redirect their efforts when detours occur.

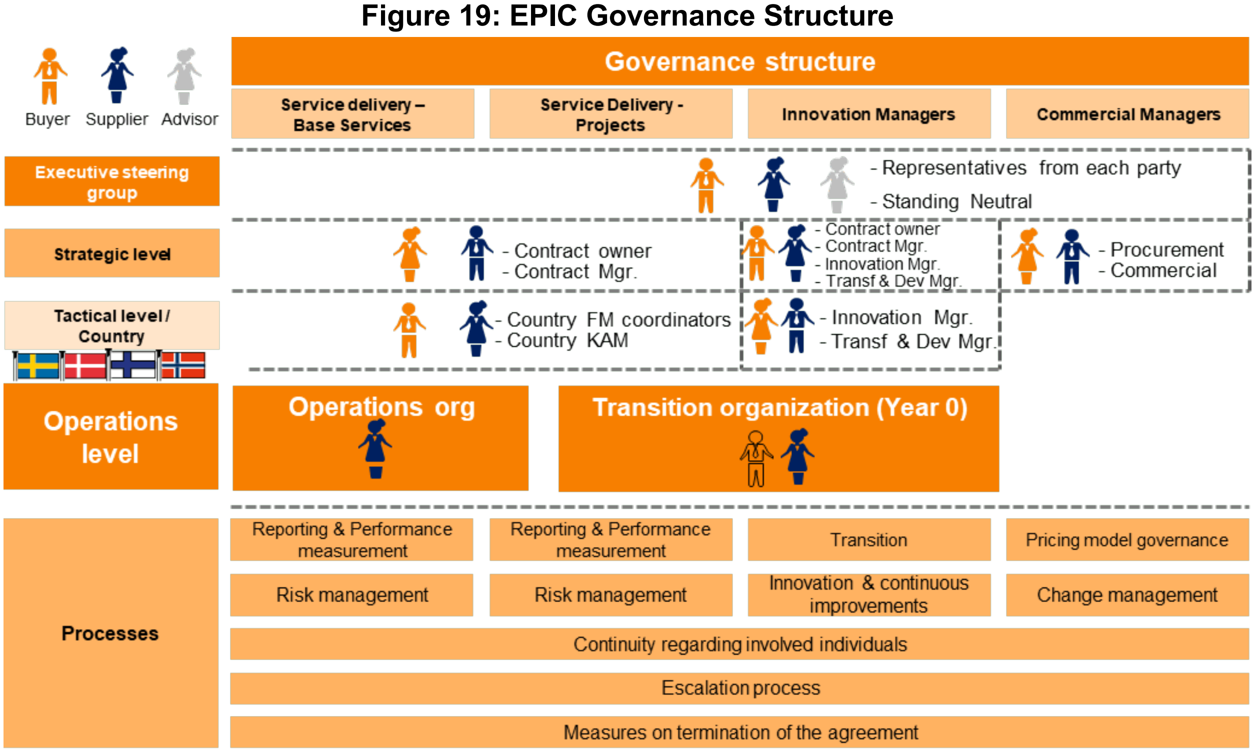
The Deal Architect Team used UT’s 22 governance design principles spanning four of the Vested elements (Relationship Management, Transformation Management, Exit Management and Compliance against special concerns and external regulations). See **Figure 18** on the following page.

Figure 18: Design Principles for Rule 5–- Insight vs Oversight Governance



One of the design principles is to use a tiered governance structure. **Figure 19** illustrates how EPIC uses a three-tier governance structure (Executive Steering Group, Strategic Level, and Tactical Level/Country Level tier). Each tier has defined members with clearly defined roles, agenda and cadence.

Figure 19: EPIC Governance Structure



A second design principle is to align key individuals in peer-to-peer "2-in-a-Box" relationships, meaning that for each key governance role, there is a counterpart within the other organization. Becky Burningham (EY's procurement lead on EPIC) and Susanne Stenhager (ISS's Commercial Manager) are the 2-in-a-Box partners who manage all of the contract and commercial needs of the EPIC partnership.

All 2-in-a-Box partners are expected to collaborate with their peers to create the optimal way to accomplish the work associated with their role. This includes resolving any issues at the lowest possible level. To facilitate efficient and effective issue resolution, 2-in-a-Box partners are trained on an escalation management process that promotes a 'no-blame culture.' Stenhager explains, "A key goal of managing issues in a 2-in-a-Box manner is to promote a 'we' mindset and to prevent the typical us-versus-them blame game that comes when someone complains and escalates to their internal manager without putting in the proper time to do a root cause analysis at the lowest level. Premature escalation leads to managers needing to spend a lot of time solving minor issues that could have been resolved with less effort and fosters a blaming culture."

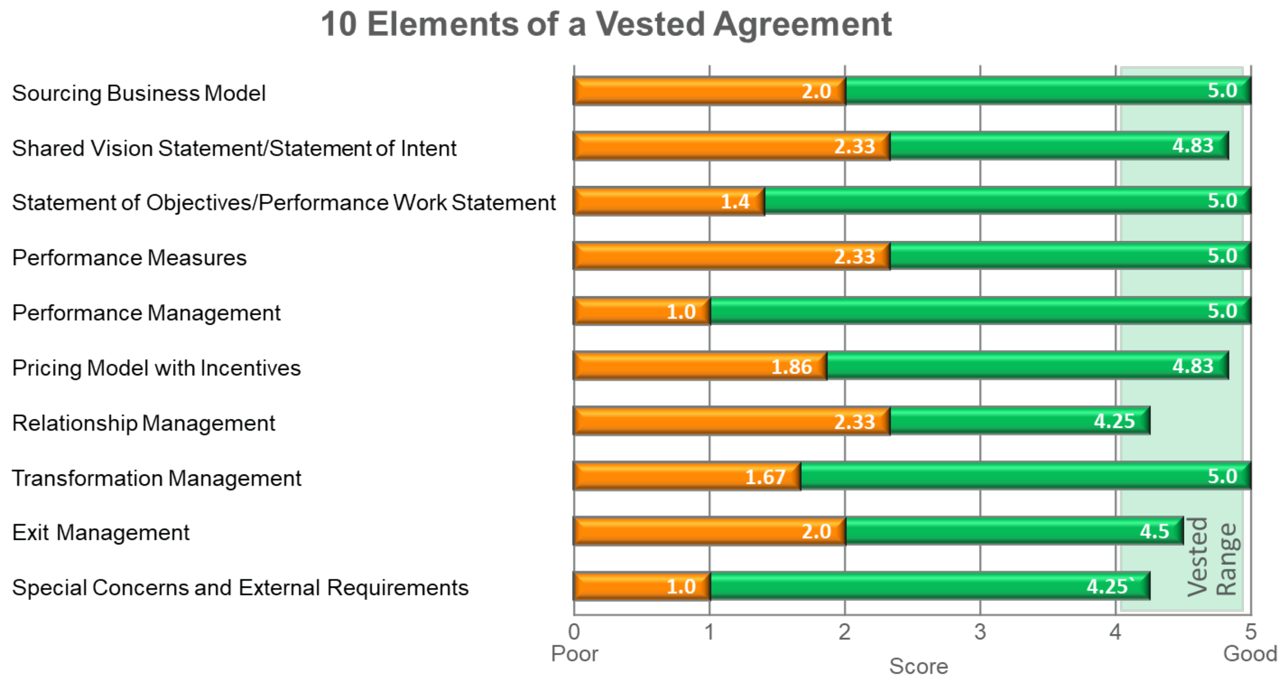
Finalizing the Contract

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

For Jens Holmberg – Legal Director for ISS Sweden – the EPIC agreement was his first experience drafting a Vested agreement. He now has four Vested agreements under his belt. "A key difference between Vested and a conventional outsource contract is that you are not trying to protect yourself against everything that can go wrong. Instead, you are trying to create a flexible contracting framework to help the parties easily determine what to do when things go wrong, or business needs to change. Unfortunately, this is not what we are taught in law school. But once you start to 'get it,' you realize why a Vested agreement works so well."

Together – with the assistance of Cirio Law Firm – the EPIC Deal Architect team chartered the path to a Vested agreement in their actual contract. The contract work was significant – bringing EY and ISS up to best practice ratings against the University of Tennessee's benchmarks for a Vested agreement. **Figure 20** on the following page illustrates the progress the team made in evolving their agreement to their first-generation Vested agreement. The orange bars represent before, and the green bars represent after.

Figure 20: Before and After Snapshot of EY's Workplace Service Contract



EY and ISS signed the EPIC agreement with the entire process taking less than eight months including vacations/holidays.

PART 6: TRANSITIONING AND LIVING INTO THE AGREEMENT

With the contract inked the next step was to shift into deployment. When making the shift to Vested, this means any physical transition work as well as ramping team members up on the Vested way of working. This means helping team members learn how to make the shift from a ‘what’s-in-it-for-me’ (WIIFMe) to a ‘what’s-in-it-for-we’ (WIIFWe) mindset and helping team members follow the Vested Five Rules in practice.

The transition was so important the team had incentives associated with a seamless transition. They also had dedicated 2-in-a-Box transition managers with EY’s Nikolaev paired with ISS’s Simon Dalsoe. Together, they were mutually accountable for the transition's success.

Physical Transition

At the time of the contracting signing, ISS was only performing services in Denmark for EY. A key part of the transition would be physically ramping up ISS to provide services in Sweden, Finland and Norway. This was no small task, considering these three countries had approximately 100 office locations that would need to transition from EY’s current suppliers to ISS.

Nikolaev recalls the magnitude of the work he and Dalsoe needed to do. “Managing the EPIC transition was truly an epic project in terms of complexity and scale. We had a hard deadline with incumbent supplier contracts expiring, and there was tons of work to be done”.

Just how much work? The EPIC transition plan included 11 workstreams that needed to be managed in tandem as team members ramped up on how to “turn on” ISS under the new Vested agreement. The EPIC team turned to a 2-in-a-Box approach and teamed an EY team member with an ISS team member to jointly own the 11 workstreams. (see **Figure 21** on the following page)

Figure 21: Transition Team

Workstream	ISS Team members(s)	EY Team Member(s)
Communication	Anna Silén	Fredrik N / Deborah
Operational Governance and commercial legal	Henrik Møhl	Yvonne Broberg
People and Culture (HR)	Anna Thorslund	Fredrik Nikolaev
Innovation and work-place experience	Caroline Boisen-Thøgersen	Fredrik Nikolaev/Matthew N
IT Infrastructure	Alexander Koch	Benny Andersson
FMS@ISS	Kristoffer Lund	Benny Andersson
Finance	Katja Forsman	Agnieszka Wirkus
Management reporting (KPIs, desired outcomes)	Patric Söderberg	Fredrik Nikolaev
Procurement and Supply Chain	Mia Bloch	Becky Burningham
HSE	Eija Kupi	Fredrik Nikolaev
Workplace services 1-10	No Nordic Services TM	Yvonne Broberg

The EPIC partnership's first physical transition was to ramp up ISS to manage EY's top nine largest cities in the Nordics – all going live on the same date. The second phase – lasting 10 months – was to transition the remaining 100 smaller locations over a phased approach.

Part of the transition was to manage stakeholders. The parties created a comprehensive joint communication plan on how to manage each of the primary and secondary stakeholders. For each stakeholder group, there was a defined goal with key content, dates, and responsible party(ies) who would communicate with each stakeholder /stakeholder group.

The result? "A near flawless transition," reports Christensen.

Onboarding

The physical transition was only one part of ramping up EPIC. Equally important was to get EPIC team members from both organizations to live into the Vested Fives Rules. The team developed a variety of tools and resources to onboard EPIC team members on how to best "live into the agreement." A few of the onboarding resources are shared below.

EPIC Handbook

EPIC handbook is a manual used to describe the relationship between EY and ISS, providing a simple yet thorough walk-through of the EPIC partnership. The manual consists of four chapters:

1. The background for the collaboration

2. The Guiding Principles of the collaboration
3. The purpose and objectives that EPIC sets out to achieve
4. How the collaboration of EPIC works

The EPIC Handbook was distributed among ISS leaders and EY's Administrative Workplace Services team members. As the EPIC Handbook outlines, "The reader of this manual is expected to have a theoretical understanding of EPIC after reading each of these four chapters. For a thorough understanding of EPIC, the full contract should be read, along with appendices."

The EPIC Handbook included guidance on expected behaviors and Guiding Principles. For example, it states, "There may be situations where workload exceeds 'business as usual', and there is a shortage of the right competence. During these situations, the parties should jointly view how the delivery of services can be optimized. It may be possible to postpone less urgent activities to mobilize resources for time-sensitive activities."

EPIC Webinars and Seminars

The EPIC transition team also designed a series of 'live' webinars and seminars. Nikolaev shares, "The webinars and seminars became kind of a roadshow where we went to different cities and helped team members in the field to help them understand what EPIC meant. We wanted an engaging and inspiring live component for the people working on the contract on both sides. The live component also helped us bring the concept of the Guiding Principles to life. For example, we had smaller breakout groups where we gave team members a scenario and asked them how they would change their behaviors given the Guiding Principles."

The webinars targeted the same audience as the Handbook, augmenting the Handbook to provide a 'live' component of the training. "A goal of the webinars was to make the Handbook come to life for team members in the field. We talked about what we were trying to achieve and what was different about Vested," explained Nikolaev.

The seminars were also live but differed from the webinars. The seminars were hosted by ISS for the ISS operational service employees, introducing team members to EPIC and what it means for their daily work. The seminars provided a more operational focus and gave team members a hands-on approach to what EPIC means to specific functional areas such as cleaning and dining.

Susanne Stenhager was one of the team members who went through onboarding. Stenhager joined the EPIC agreement as the ISS Commercial Manager shortly after the contract was signed. "I had been with ISS for several years, so when I joined the EPIC account, it was the first time I had been exposed to Vested. I found Vested quite refreshing and welcomed the culture they were trying to create. It was truly exciting to think I could be a part of something so cool."

Knowingo Onboarding App
A third onboarding tool was a customized Knowingo Onboarding App. Knowingo is a learning management platform that provides an easy-to-use app using gamification allowing employees to learn key concepts in an easy-to-digest and fun format. The App gamified the most important aspects of EPIC and could be played on team members' mobile devices. Nikolaev shares, "Team members would compete online answering questions that tested their knowledge on the EPIC relationship and key Vested concepts. At one point, I remember competing against a janitor in Denmark about how to apply the Guiding Principles to the partnership." He adds, "It was a fun way to educate folks on key concepts that would ultimately help them live into the agreement."

Living in the Agreement

Helping team members learn how to live into the Statement of Intent in their daily jobs is a key part of transforming the culture from a WIIFMe buyer-supplier culture to a highly collaborative WIIFWe culture.

One of the things that helped team members learn how to live into the intentions of the partnership was to reiterate key concepts from the Statement of Intent at every meeting. Henrik Møhl reflects, "The repetition kind of sounds like brainwashing – but what it did was help us keep the core philosophy of our intentions front and center and to remind ourselves not to use power towards one another.

Møhl shares how the Guiding Principles help the parties live according to their intentions. "I had not worked on a relational contract before the EPIC deal so the Guiding Principles were new to me. As the Key Account Manager on the EPIC partnership, whenever I had a situation with my staff where we were in doubt of the best approach, we would also go back to the Guiding Principles. If we found ourselves thinking about how a decision might violate one or more of the Guiding Principles then we knew we should try a different solution. After a while falling back on the Guiding Principles becomes natural."

For Stenhager, the Guiding Principles became front and center when the Covid pandemic hit. "We had this really beautiful contract and everything was laid out perfectly. And then, all of a sudden, our world was turned upside down. We quickly realized that we'd have to do things differently. So even though things were getting tough and we didn't know what would happen, I felt comfort in knowing we were in the same boat and that we'd have the best results by continuing the collaborative path we had laid. As the Commercial Manager on EPIC, it was comforting to know our Vested agreement was built on a flexible contract framework. It was remarkably easy to move fast during Covid to do what the EY business needed us to do."

Using a Standing Neutral

The University of Tennessee recommends parties use a Standing Neutral as part of the ongoing governance of their partnership. The team did not have to look far to find a qualified Standing Neutral because they had used Erik Linnarsson as their Certified Deal Architect coach to craft their agreement.

Figure 22 below shows how the EPIC team is using a Standing Neutral with areas highlighted in orange depicting the design of the EPIC Standing Neutral role.

Figure 22: EPIC Standing Neutral Responsibilities

<table>
<tr><th>Factors to Consider</th><th colspan="12">Typical Post Contract Standing Neutral Options</th></tr>
<tr><td>Number of Neutrals</td><td colspan="6">One</td><td colspan="6">Three</td></tr>
<tr><td>Timing of Involvement</td><td colspan="6">Pre-Contract Signing
(e.g., Deal Architect)</td><td colspan="6">Post-Contract Signing</td></tr>
<tr><td>Skills Required</td><td colspan="3">Deep SME / Industry Experience</td><td colspan="3">Facilitation/Soft Skills</td><td colspan="3">Project Management</td><td colspan="3">Legal/Lawyer</td></tr>
<tr><td>Depth of Engagement</td><td colspan="4">All levels of governance</td><td colspan="4">Mid-levels of governance</td><td colspan="4">Only the highest levels of governance</td></tr>
<tr><td>Level of Involvement</td><td colspan="6">Continuous involvement (embedded as part of ongoing governance)</td><td colspan="6">Ad-hoc
(only when called upon)</td></tr>
<tr><td>Authority</td><td colspan="3">Expert Evaluator
Advice only</td><td colspan="3">Ombudsman
Makes formal recommendation
(non-binding)</td><td colspan="3">Mediator
Non-binding decision</td><td colspan="3">Arbitrator
Binding decisions</td></tr>
<tr><td>Fact-Finding Latitude</td><td colspan="4">May only receive information and evidence provided</td><td colspan="4">May investigate personally</td><td colspan="4">Ability to hire outside experts</td></tr>
<tr><td>Common Types of Support</td><td colspan="12">Pre-Contract Support: *Deal Architect
Post Contract Support:
*Transition support *Risk Management *KPI/Performance Mgmt. Alignment * Project Management Support *Onboarding Support /Training
*Strategic Reviews *Relationship Health Monitoring
Dispute Resolution:
*Issue Resolution *Mediation *Arbitration</td></tr>
<tr><td>Reference in Contract</td><td colspan="6">Formal: Referenced in Contract
(may be an appendix of schedule)</td><td colspan="6">Informal: Not Referenced in Contract</td></tr>
</table>

When Erik Linnarsson retired the natural replacement was Linnarsson's colleague at Cirio Law Firm – Erik Engstrŏm. Engstrŏm comments, "It was easy for me to step in as the Standing Neutral because I worked with Linnarsson as a Certified Deal Architect for draft the EPIC agreement. Since I had helped draft the agreement I knew the intent of what the parties were trying to do like the back of my hand."

One of the roles Engstrŏm has as the EPIC Standing Neutral is conducting an annual health check using UT's Compatibility and Trust (CaT) Assessment. Isabella Liljeström finds great value in doing the yearly CaT assessment. "Each year, Erik administers the CaT assessment, which concludes with a formal workshop of team members learning how healthy their relationship is. The workshop helps guide us on what is important and helps us think through how to close gaps in compatibility and trust."

A second role Engstrŏm supports is issue resolution where he is brought in ad-hoc to help the teamwork through any issues where there is potential misalignment or they want advice. Engstrŏm admits that EY and ISS rarely have issues. In fact, neither Engstrŏm nor his predecessor, Linnarsson, have ever had to formally resolve an issue in the four-year history of the relationship. "Folks working on the EPIC partnership are quite mature in proactively working through issues using the EPIC governance and Guiding Principles. But occasionally I get asked to come in and share my opinion to help them work through any issues."

One example is when the EPIC 2-in-a-Box contract owners Thomas Forchhammer and Isabella Liljeström tapped into Engstrŏm regarding how the parties were calculating ISS's overhead costs.

The parties have a contractual commitment to re-evaluate the ISS overhead costs annually and ensure it aligns with market benchmarks. This is important because EY pays for all costs under the pricing model, including covering ISS's overhead. When Forchhammer and Liljeström came on board as the new Contract Owners they realized the parties had not been doing this. A deeper dive brought up questions about how the contract originally calculated overhead. Liljeström admits, "Thomas and I simply didn't understand the logic of the overhead calculation."

The solution? Tap into Engstrŏm as the Standing Neutral to get advice on the fairest way to calculate overhead going forward. After a review session with Engstrŏm, Forchhammer and Liljeström devised five options they thought would work. After testing them, they landed on two possible options. Liljeström adds, "Thomas and I went back to Erik and he reviewed what we had come up with. After reviewing our ideas, he shared insight that one of the options would likely be the best approach as he has seen something similar in different Vested agreements that worked well."

Jens Holmberg – ISS's Legal Director for Sweden – is a fan of incorporating a Standing Neutral.. "A Standing Neutral is a very proactive dispute prevention mechanism. Simply having a trusting and credible Standing Neutral post-contract signing gives team members a sounding board which helps people make better decisions. In the case of EPIC, it is not just a person – but a very knowledgeable lawyer who is listening, giving advice. Using a Standing Neutral is truly a powerful tool to keep contracting parties' interests aligned."

PART 7 – THE EVOLUTION INTO EPIC 2.0

As the saying goes, nothing is for certain except things can and do change. This was certainly true for the EPIC partnership. The EPIC partnership has gone through a massive change in its initial four years.

Christensen reflects on some of the more significant changes. "One of the first curveballs was the Covid pandemic, which hit less than a year after the signing of the agreement. Then, there was EY's business desire to align our workplace services with EY's mission – building a better working world. This led to the birth of our *Workplace for the Future* strategy, which challenges EY to reimagine where, when, and how EY team members work.

EY's Stockholm office is EY's Global pilot for the *Workplace of the Future* and is the birthplace to hundreds of new and innovative ways for working. Christensen is in charge of helping EY create the *Workplace for the Future* and shares some background. "To transition to a *Workplace for the Future*, EY uses a holistic approach by integrating the following three Bs: Bricks, Bytes, and Behaviors." (see call-out box for more information about each of the three Bs)

3 B's of EY's Workplace for the Future (from their website)

EY constantly strives to create and redefine the existing workplace to fit the evolving needs of the future. After listening to the voices of our people and going through the latest research, we realized that we needed a workplace that focuses on trust in our people and respect for individual needs, preferences and life situations. Along with individual preferences, we also wanted the future workplace to focus on team collaborations and leadership.

When organizations reimagine where, when, and how they work, they need a holistic approach by integrating the following three Bs: Bricks, Bytes, and Behaviors.

Bricks ensure that every employee has access to a network of spaces that supports different activities performed during a workday. The main purpose of the future EY offices is to meet, collaborate and build strong teams and not just to work. "EY is constantly seeking to redefine what office spaces mean with the help of this pillar." As part of re-thinking EY's bricks – EY made the strategic decision to transition their key office locations in each of the Nordic countries. A key goal was to create more flexible office space," explains Christensen. "Not only is this a more sustainable approach, but also in line with what our people prefer because we are embracing a hybrid model with a mix of work from onsite and work from home."

Bytes offer a user-centric digital workplace that enables knowledge sharing and collaboration regardless of time and place. Rethinking Bytes means finding new ways of using both individual technology for EY team members along with technology in the offices supporting modern work.

Christensen explains the goal is to seek new automated tools and cutting-edge technology which form a part of this pillar and support our people regardless of where they choose to work.

Behaviors mean focusing on building a purpose-driven culture in the organization based on trust, encouraging collaboration, innovation, transparency, and self-leadership. It focuses on new ways of working and modern, hybrid leadership. This pillar supports and encourages our people to perform at their best and supports our sense of belonging.

Along the way there were also key people changes – what UT researchers coin as “New Sheriffs in Town” as both EY and ISS had replaced key leadership positions on the EPIC Team. Thomas Forchhammer took over as the EY Contract Owner due to a retirement. Shortly after, Isabella Liljeström took over as Forchhammer’s 2-in-a-Box Contract Owner for ISS when Henrik Møhl moved to work on another account. Both had taken the University of Tennessee Vested Executive Education courses – but neither had worked on a Vested partnership until joining EPIC.

Liljeström was excited to join the EPIC partnership. “All of the key ISS contracts have a key account manager role that on paper runs the client contract. But with EPIC the role is so much more. What makes EPIC so epic is the context that we can go anywhere we want to go. So Thomas and I decided to go where no one else had gone before and become the best outsourcing contract in the world. And that is what EPIC 2.0 is doing – taking us from great to leading the world in the *Workplace of the Future*.”

Christensen loved how Forchhammer and Liljeström brought a fresh set of eyes to the EPIC partnership.

A key ah-ha for Forchhammer and Liljeström was the realization of just how much EY had changed themselves since signing the agreement. A key priority for the duo? “We wanted to take a close look at how we could evolve our relationship and contract to address the post-pandemic world and the big hairy audacious aspirations of EY’s *Workplace of the Future*.

Rapid Deal/Relationship Review

The University of Tennessee teaches that Vested agreements should be reviewed regularly to ensure continual alignment – with an annual review of objectives, metrics, pricing model and governance (relationship management and transformation management. In addition, UT recommends a complete review of the relationship and contract at least every five years. (See **Figure 23** on the following page)

Figure 23: University of Tennessee Recommended Review Cycle of Vested Agreements

INCREASING LEVEL OF DETAIL

INCREASING FREQUENCY OF CHANGE

10 Elements	Reason for Change	Frequency
Sourcing Business Model	• When there is a significant change in the operating environment	At contract renewal (5+ years)
Shared Vision / Statement of Intent	• When there is a significant change in the operating environment	At contract renewal (5+ years)
Exit Management Plan	• May be revised with new Statement of Objectives	New Statement of Objectives (5+ years)
Statement of Objectives, Workload Allocation	• When there is a significant change in the operating environment	Under continuous governance (annually)
Relationship Management Framework	• When there is a significant change in the governance structure	Under continuous governance (annually)
Transformation Management Framework	• When there are improvements	Under continuous governance (annually)
Top Level Desired Outcomes	• When there are changes in the outcomes	Under continuous governance (annually)
Pricing Model with Incentives	• Improvement Plans • Changes in incentives • Revised assumptions • Margin matching	Under continuous governance (annually)
Special Concerns and External Requirements	• When there are major contract revisions	Dependent on other changes (likely annually)
Performance Reporting Quality Plan Processes	• Change to the business rules • Change in processes • Change to operational measures	As required (weekly, monthly, annually)

Forchhammer comments, “As newbies coming in, we could easily see the EPIC team had not done a great job of doing the proper reviews needed to both keep in continual alignment and evolve to the changing business environment.”

The decision was to do a comprehensive review using the University of Tennessee Deal Review process. But unlike the original Deal Review done prior to a Vested agreement, the Deal Review for an existing Vested relationship is much shorter – what the EPIC team coined as a “Rapid Deal Review.”

The Rapid Deal Review kicked off at the end of year three of the relationship and included three key components.


PM results

Performance Review – consisting of a collection of quantitative data on EPIC's performance towards Desired Outcomes by analyzing Performance Metrics (PM) across a selection of sites in the Nordics


CaT survey

Relationship Health – as measured with quantitative and qualitative data from the University of Tennessee's Compatibility and Trust (CaT) assessment


Interviews

Interviews – gauged how well the parties were "living into" the Vested Five Rules/ 10 elements as initially designed

Several key findings emerged from the Rapid Deal Review. The findings fell into five general themes, as shown below.

Onboarding/ Training	Desired Outcomes	Pricing Model	Innovation Fund	Governance
Limited ability to develop on continuous basis	Changing times requires a reassessment of targets	Lack of proactive development of adjustments	Accumulation of unused capital over the last years	Format and structure not working optimally

Take, for example, the findings about the Desired Outcomes. Overall, the partnership was performing well above expectations as set out in the original agreement. *In fact, the EPIC team had achieved 'epic' performance levels in just the first year*. However, EY's business had evolved to the point that some of the original metrics linked to achieving the Desired Outcomes were outdated and not fit for purpose.

An excellent example was the metrics around sustainability. When the EPIC team initially created the agreement, the team included a sustainability metric. But regulations around sustainability had grown, and EY wanted to be a global leader in sustainability. Christensen explains the shift in thinking. "Sustainability plays an increasingly important part in our future way of work. EY had already achieved the goal of becoming carbon-negative, but we had much loftier goals. Our new ambition is to further reduce our carbon footprint to net zero and we needed to rethink how we measured and rewarded ISS for success in helping us achieve our sustainability goals."

EPIC 2.0

A task force was created to explore the recommendations from the Rapid Deal Review and determine the best next steps. The recommendation? A project the companies would call EPIC 2.0.

Forchhammer explains EPIC 2.0. "EPIC 2.0 was a mini version of the original Vested methodology. We created a Deal Architect Team that would go through each of the Vested Five Rules and the contract was re-built during the process in collaboration – closing any gaps." We also engaged an external neutral Certified Deal Architect coach just like we had for the original agreement." The team didn't have to look far to find their neutral. Rather they simply turned to their existing Standing Neutral – Erik Engstrŏm from Cirio Law Firm.

EPIC 2.0 kicked off with one simple goal: Take the learnings and become the world's leading Vested partnership for workplace services.

Similar to the original Vested journey, the new Deal Architect Team consisted of the key people responsible for delivering the future of the partnership to be on the team. As the EPIC Contract Owners, Forchhammer and Liljeström were naturally on the team. They were joined by the Operational Leads, Commercial Leads and a person from ISS Finance. In addition, a 2-in-the-Box team from legal joined as well.

Because EPIC 2.0 was an evolution of an existing Vested contract, the timeline was shorter and fewer resources were needed. For example, EPIC 2.0 would need only eleven deal architect workshops because much of the Vested agreement and ways of working were solid.

The workshops were where the joint Deal Architect Team co-created the best solutions for closing gaps in the partnership. Let's go back to the gaps in performance metrics revealed in the Rapid Deal Review. The team did a comprehensive refresh of the Requirements Roadmap replacing four of the original metrics, re-evaluating metrics targets and revising the weighting of incentives.

For example, the team rethought the metrics they would use to measure EY's lofty new sustainability goals and rethinking the concept of employee turnover to one of employee retention and engagement. Møhl explains the logic. "A common metric in an outsourcing agreement that has a heavy labor element is to measure employee turnover. But if you think about it – it is much more effective if you are measuring how engaged employees are. When team members are engaged and giving their best, word gets around that the EPIC account is the best place to work and we attract the most talented people."

The team also rethought incentives. "When the original Vested agreement was designed the team put a lot of the monetary incentives on two of the more operationally focused metrics." Susanne

Stenhager explains, “At the time – that was the smart thing to do because EY really wanted to improve operational performance. But now that performance was being met the weighting of the monetary incentives was unbalanced. In the EPIC 2.0 Deal Architect Team workshops the team made the decision to shift more of the monetary incentives to link to EPIC transformation goals.”

Another key goal of the Deal Architect Team was a tighter alignment at the strategic level. “The EPIC partnership was performing so well that executives didn’t feel the need to participate in the Steering Committee group. But this is failed logic. The Steering Committee is where larger transformation initiatives are approved,” shared Christensen.

The EPIC 2.0 team decided to make an upgrade in how the parties managed the relationship at the highest level. The result? The Executive Steering Group meeting frequency would increase from two times a year to four times a year, and the duration of the meetings would decrease accordingly. The meeting agenda would also be focused on value-add and forward-looking conversations. In addition, the parties agreed the Steering Committee would meet in person in person every 18th month for a longer session.

With the design phase of Epic 2.0 concluded the parties turned their attention to implementing all of the improvements and making the needed physical contract changes.

Møhl is appreciative of how a Vested agreement enables easy contract changes. “In most contracts, if you change something, it involves a huge process that must be approved at the highest level. But a Vested agreement is intentionally designed as a flexible contract framework and is much easier to change.”

The results have been nothing short of spectacular. Part 8 shares both the tangible and quantifiable results and the less tangible and softer benefits of shifting to Vested.

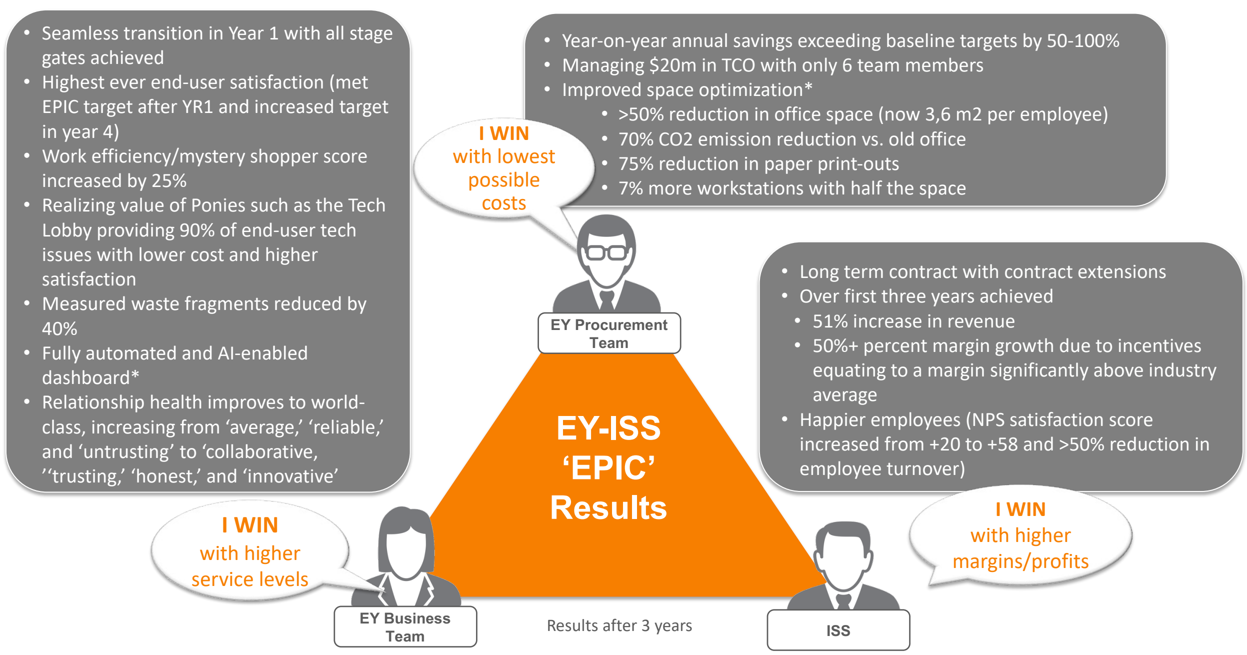
PART 8 – THE RESULTS ARE REAL

A common question from organizations considering Vested is, "Does Vested really generate results?" The answer: an unequivocal yes. "After just one year the EPIC team was achieving epic results against the metrics defined in their Requirements Roadmap. This meant a great transition as well as lower costs and higher service for EY. As a result, ISS earned incentives meaning more profit and contract extensions – both wins for ISS.

The parties continued to make steady progress – including a refresh of their agreement with the rollout of EPIC 2.0. The result? "Both parties are truly vested in each other's success," shared EY's Magnus Kuchler.

Figure 24 shares a high-level summary of key results achieved in the first four years of the Vested partnership.

Figure 24: Results After 3 Years



EY's Robin Warchalowski looks back with pride. "I have been the project leader since EY first started outsourcing, and I couldn't be happier at the progress we have had. We had laid a good foundation and had significant cost savings when we shifted to our integrated facilities management model. But coupling the IFM model with Vested catapulted us to entirely new heights in efficiency and effectiveness and is truly enabling us to create the Workplace for the Future."

Warchalowski shares an interesting twist: EY's workplace has now a competitive advantage for recruiting. "When we bring in potential new hires for the final interview I know within 25 minutes if they will be a star employee we want to hire. So, I cut the interview short and suggested we walk around so they can get a feel for where they would work if they joined EY. The vibe of our workplace shines through and we have landed some star recruits that had offers from our competitors. It is clear that our workplace services have become a differentiator in hiring and retaining team members."

Innovating for Success: Finding Ponies

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

EY's *Workplace for the Future* initiative is a playground for finding Ponies. While EY leads the main real estate work associated with the new building, ISS plays an integral role in transforming the workplace services in the new building.

A key first step in EY's *Workplace of the Future* transformation was around the bricks EY used. A key strategy of EY? To relocate its four main headquarters in each of the Nordic countries. EY's Stockholm HQ – known as 'Project Horseshoe' - provides a great example. "The move to Horseshoe generated hundreds of new and improved ways of working," shared Christensen.

ISS's Susanne Stenhager shares the context. "While EY clearly leads the real estate strategy, ISS provides the workplace services support. Our role in Project Horseshoe was to reimagine how workplace solutions would work to increase the workplace experience for EY employees. We hosted focus groups where we talked to employees about how to best meet their needs – especially given that the workplace had turned upside down with the pandemic and EY was just beginning to launch the *Workplace for the Future* with a challenge to optimize for how employees work in a hybrid environment."

An excellent example of a Pony associated with the move to Horseshoe was the modernization of reporting. "The new building has 1399 sensors that measure everything from employee presence to CO^2 emissions and humidity. ISS worked with EY to reimagine how to optimize using new technology and data in the new HQ, leading to a sustainability reporting platform," shares Stenhager. The result? Reporting has gone from being highly manual to being highly automated using machine learning. "Together EY and ISS are now using analytics from data to find improvements to enhance the delivery of workplace services and ultimately productivity in EY's workforce."

The overall results are impressive, with square footage per employee at a remarkably low $3.6m^2$ per employee (a typical office has $10m^2$ per employee) while simultaneously increasing already high employee satisfaction by 14%. CO^2 emissions reduced by 70%, and paper waste has decreased by 79%.

Another Pony that is delivering cost savings, EY employee satisfaction and higher margins for ISS is the "Tech Lobby" initiative. The EY IT department had a high volume of tech-related end-user questions such as handing out chargers, setting up laptops and phones, and solving a wide range of Tier 1 IT issues that are relatively easy to solve. Many of these requests were something a less expensive ISS team member could do with a little training. The idea was for ISS to create a highly visible and service-minded Tech Lobby to support the "First Line of IT." EY employees now receive assistance by simply stopping by the Tech lobby rather than submitting a ticket and waiting online. This new workplace service is not only less expensive, but it also enables EY staff to return to work quicker and removes the frustration associated with technological failures. Since launching, the Tech Lobby services have expanded and now include almost 90% of end-user IT-related tasks.

EY's IT department also loves the Tech Lobby because the solution is cost-effective and allows them to focus on other, more complex IT-related work. Christensen comments on the win-win nature. "EY saves money because we don't need high-end IT people to solve basic tech issues, end users get quicker service and are happier, and ISS wins with an expanded service and higher revenue. It's a win-win Pony that is simple but brilliant."

So what do all of these Ponies have in common? Team members are fearless in trying new things in the pursuit of trying to have a positive impact on the EPIC Desired Outcomes.

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 can you measure the cultural shift? The answer is yes. Just after the contract signing the parties took a baseline of their culture using the University of Tennessee's Compatibility and Trust (CaT) assessment. The baseline CaT index was .70. Today the CaT index has reached a score of .84 – considered world-class and in UT's top 5% against UT's benchmarks.

Henrik Møhl explains, "We had a good relationship with EY prior to Vested. But now it is fabulous. Before our Vested partnership with EY, I would describe the culture as us-versus-them and opaque. The shift to Vested has been game-changing in our culture to one of being highly collaborative and transparent. Today it is much warmer and more genuine because team members want the best for each other."

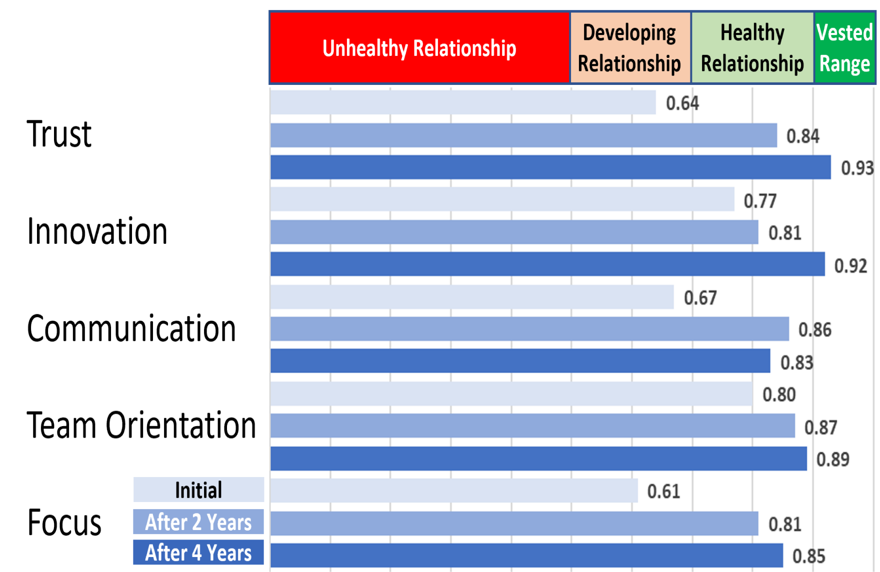
Andrew Price has been part of the EY-ISS relationship since the beginning and could see the cultural shift beginning to occur. "As the team went through the Vested process we could see the shift from a "ME" mindset and way of working to a "WE" mindset and way of working."

Forchhammer adds, "The really cool thing is the cultural shift that occurred as we continued lean into Vested."

How much of shift?

EY and ISS measure the relationship health using a Compatibility and Trust (CaT) assessment which scores trading partner relationship health across five dimensions. **Figure 25** shows the trend of the CaT Index after an initial baseline assessment and two following CaT assessments with relationship health going from .69 (just below the healthy mark) to .88 which ranks in the top 4% of the University of Tennessee's benchmark on trading partner relationship health.

Figure 25: EPIC CaT Assessment Trend Scores



But what does this really mean in practice? Team members that are far happier. Before Vested, team members described the outsourcing relationship with words such as 'average', 'reliable' and even 'untrusting'. These words are now replaced with more positive ones like 'collaborative', 'trusting', 'honest' and 'innovative'. (**Figure 26** on the following page shares a Word Cloud of what team members think about the EPIC culture based on the latest CaT survey).

Figure 26: Word Cloud of How EPIC Team Members Describe the Culture of the Partnership

Team members such as Stenhager love the culture the parties have created. “In a traditional contract, it tends to be us-versus-them, and as a supplier you are always scared to do something wrong. With Vested you really get to know the people you are working with and we have a common goal of building a better working world. Our positive culture gives team members the energy to try new ideas and attracts the best people in the industry. Doing business in a Vested way is really so much more fun.”

The fun factor also extends to the executives who are involved. ISS’s Andrew Price sits on the Executive Steering Committee. “We just did our face-to-face executive steering committee meeting, and I have to admit it is something I look forward to. The EPIC relationship is so progressive and the people are so great that it is truly fun to be a part of EPIC.”

Burningham believes having a culture of trust – while hard to quantify economically – brings bottom-line benefits. “Trust is one of the biggest things that drives extra benefit and extra value. Coming from a procurement perspective, I have seen so many times where things are not disclosed transparently and it creates negativity and erodes trust. Trust and transparency remove the hesitation associated with hidden agendas because you know both parties are not trying to screw each other over.”

One of the benefits of a healthy culture is more engaged team members – which can also be measured. Recall one of the metrics that changed under EPIC 2.0 was to replace the ‘retention’ metric with an ‘engagement’ metric. EPIC adopted a global standard called “Net Promoter Score,” which is a satisfaction measurement asking, “How likely would you recommend working for ISS on the EPIC team” The NPS metric has a scale of -100 (would never recommend) to +100 (would always recommend).

When EPIC first adopted the metric their score was just over +20 which is considered typical for a company in the services industry. For comparison, the average score across Scandinavian countries ranges between +10 and +30 based on industry with world-class scores falling over +70. Today EPIC tops in at +58 - the highest level across all of ISS's accounts. Liljeström is excited about the results, "We are seeing positive trends that we believe will help our scores grow to world-class regardless of industry. This is truly amazing when you think about the nature of the work, which revolves around manual labor such as cleaning and dining services, which many people would think of as unrewarding."

CONCLUSION AND ADVICE FOR OTHERS

When Magnus Kuchler set out to champion EY in making the Nordic countries a pilot for a Vested strategic partnership for workplace services he was certain it would be successful. But what he could not have foreseen was the global pandemic and the strategic goal to make EY Sweden the corporate pilot for EY's *Workplace for the Future*.

"The EPIC team has proven that when faced with both adversity and opportunity, together is indeed better."

Those who participated in the EPIC Deal Architect Team and those sitting on the sidelines agree it is almost unbelievable to consider the amount of ground covered in just four years. "At the foundation of the early success is the 'What's-in-it-for-We' mindset that has fundamentally changed the nature of how EY and ISS work together. The benefits of this shift are producing very real benefits for EY, ISS and our employees," explains Kuchler.

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

Liljeström is thankful to be on the EPIC team. "I had attended the UT Vested Executive Education course and had always thought it would be fantastic to work in a Vested partnership. After coming to EPIC, I realized this is where dreams come true."

The dreams for Andrew Price – who is now ISS's Head of Strategic Growth is the power of *AND.* "The bottom line are the wins everyone gets from Vested. ISS now has six Vested deals, and they are the highest-performing and most profitable relationships we have. We have long-term secure revenue streams and proportionately much higher profits on Vested deals. Our clients are also winning with higher performance and lower costs. And – most importantly – our employees are winning because they love their jobs." He hesitates but then adds, "Without getting too evangelical about it, Vested just makes people smile more. And that is a good place to be."

Advice for Others

The EPIC team wants to encourage other organizations to explore the potential of Vested partnerships and is sharing their Top 10 tips for those considering making the shift to Vested.

Pre-Contract	Creating Your Vested Agreement	Living into the Agreement
1. Have a champion 2. Be ready 3. Don't skip the training	4. Follow the process 5. Don't rush it 6. Make what is important measurable	7. Onboard! Onboard! Onboard! 8. Staff for transformation 9. Formally revisit the agreement
10. Use a Neutral		

The following shares the team's most important lessons and insights from each of the 10 tips.

Have a champion. In most organizations, some key stakeholders will not be part of the Vested process. To get the most traction have an executive champion to help you get stakeholder buy-in at the highest levels.

Be ready. Andrew Price provides sound insight when it comes to getting ready. "My advice is to test whether you are really ready for Vested because it is a big commitment. And it is a big change. If you don't think it is a big commitment and big change then you are probably not ready."

Don't skip the training. "It's absolutely necessary to do the training, redo it, and do it again. It may seem repetitive – but what you find is the repetition helps ingrain the rules and why they are important in the way you work."

Trust the Process. Almost all team members' #1 advice was simply "trust the process. "It is easy to think you can shortcut the process and skip steps. But the workshops help you build a mutual understanding of what you are trying to achieve and then align all aspects of the contract and relationship to give you the best chance for success."

Don't Rush it. Team members point out that when you start a Vested journey, you need to remember you are transforming the very nature of your business model, and it is important to get it right. "If you don't have patience, it is likely a sign that Vested is not right for you."

Make What is Important Measurable. "Vested will challenge you to consider what is important and how to measure it. Don't rush this – it is critical for aligning the buyer and supplier on what strategic partnerships should be about – achieving Desired Outcomes and not simply performing tasks. If you are not throwing out your existing metrics you are likely not getting it right."

Onboarding. Onboarding. Onboarding. "While the EPIC team did a good job of initial onboarding, it is easy to fall into the trap of thinking onboarding is once and done." New people are always joining and you need to do onboarding constantly. Onboarding is especially important to the most senior people in the company."

Staff for Transformation – EPIC team members openly admit their transformation effort focused on the initial transition and standing up the new offices. "Even though the contract called for a Transformation Manager after the transition, we got lazy and began to cheat on Rule 5 and not fully staff the Transformation Management role. So there was no one dedicated to focusing on driving innovation. We fixed this with EPIC 2.0 – but that was a big lesson."

Formally Revisit the Agreement. "It is important to follow the UT recommendations to continually update your agreement – especially by doing a formal review at least every three years. There was so much benefit in us doing EPIC 2.0 that I think doing a formal Vested 2.0 should be a sixth rule."

Use a Neutral Coach. "I know a couple of companies that have gone through a Vested journey and done it themselves. But I would definitely say having a neutral coach is invaluable. You will get through the process much quicker. The coach also plays a critical role in helping challenge traditional power-based approaches."

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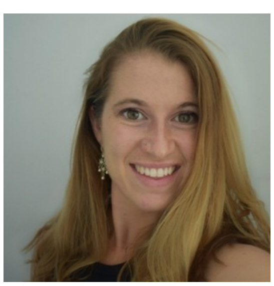

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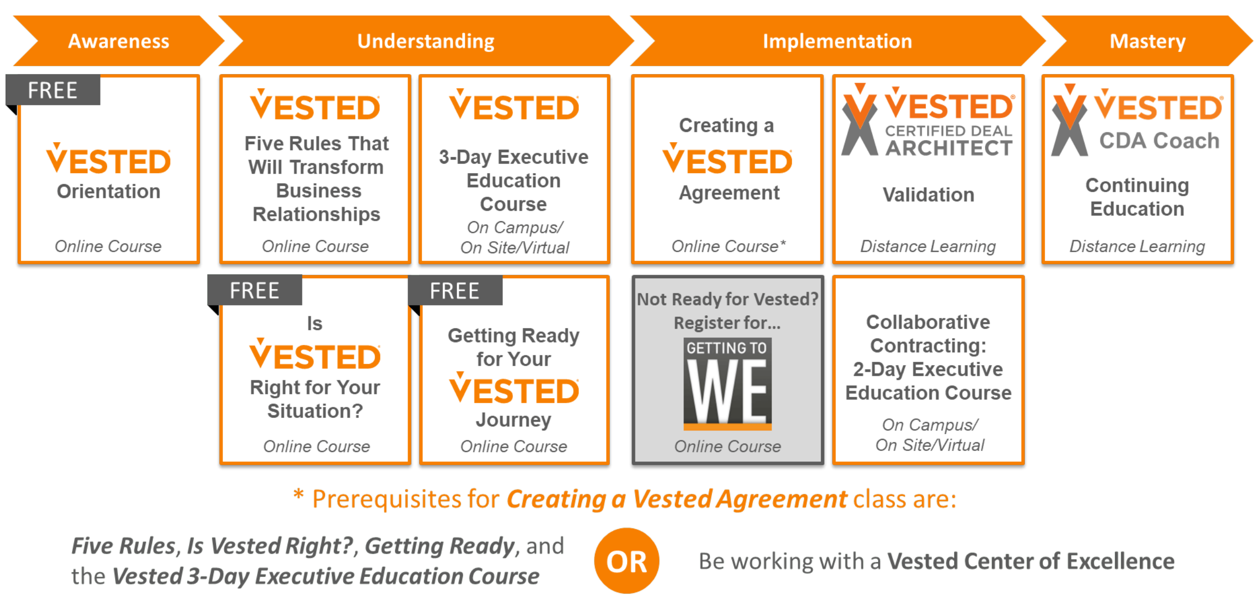
FOR MORE INFORMATION

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 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.

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 with 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 papers, and resources. For more information, contact kvitasek@utk.edu.



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