



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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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 shifting to an 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. The next evolution? Add a second IFM supplier - Denmark-based ISS – with the goal to get similar results in Denmark and Norway. 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.”

Kuchler set out to champion EY to make the shift to adopt the University of Tennessee’s Vested business model for EY’s Nordic workplace services. “As a Vested Center of Excellence, EY has seen firsthand the benefits of shifting to a Vested business model.” After internal stakeholder buy in, 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.*

* *The RFPartner process was developed by University of Tennessee (UT) researchers in collaboration with the Canadian government. A key difference is the collaborative nature of the bid process. 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.*



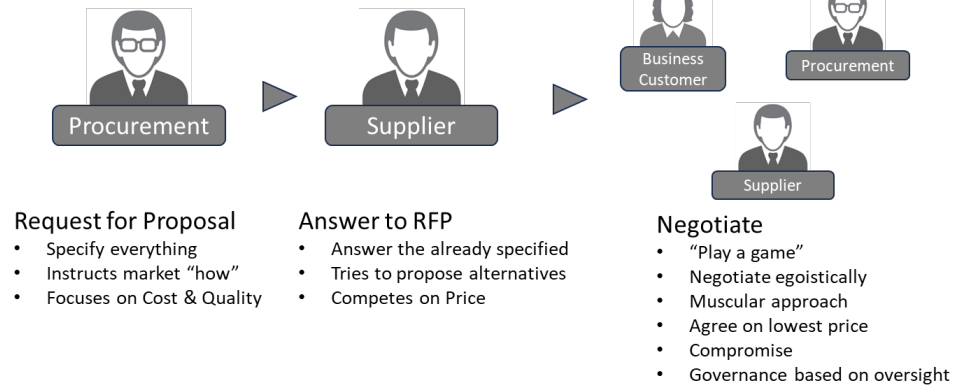
From Request for Proposal to Request for Partner

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

Looking back at the previous strategy

- Focused on control and cost reduction

How did we try to win before?



You get what you trade, and this approach has weaknesses in a VUCA world (Volatile, Uncertain, Complex and Ambiguous)

The group made the strategic decision to make the shift to Vested business model for it's pan-Nordic locations – 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).

Becky Birmingham - EY's Director of Supply Chain Services - was the designated procurement lead on the RFPartner process. "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. We had to shift the evaluation criteria from focusing 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.

Henrik Møhl was the ISS Nordic Key Account Manager at the time and remembers getting the official call from EY's Becky Birmingham. "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. Needless to say, I was on board immediately. I remember calling my boss

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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.”

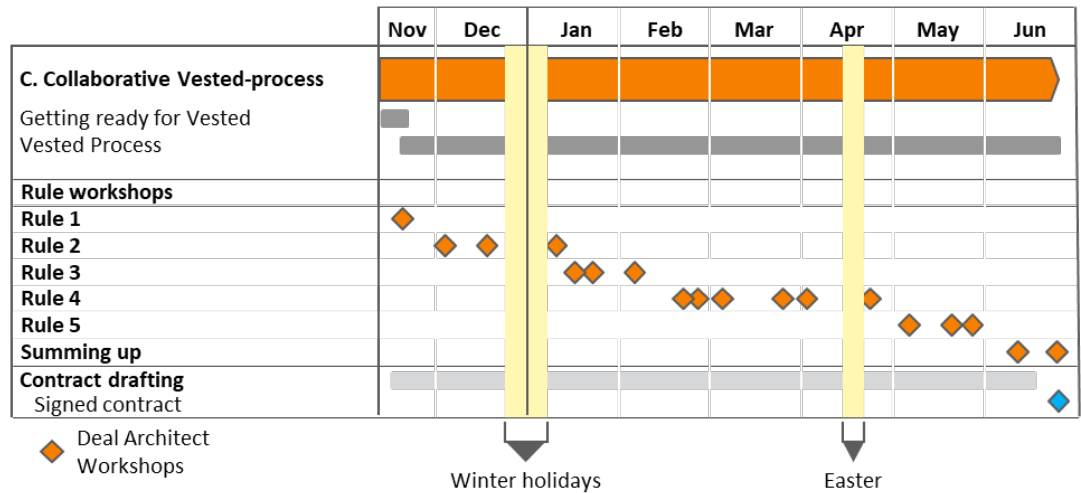
At the conclusion of RFPartner process – which took six weeks - EY ultimately decided to move forward with ISS as its chosen partner.

Andrew Price – ISS’s Head of Strategic Growth – was 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."

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. EY and ISS took two weeks to ramp up a cross-functional Deal Architect Team who would follow to UT Vested methodology to create a Vested agreement.

One of the early discussions was around how long it would take to work through the Vested process to get to a contract. The team ultimately created an eight-month timeline, which factored in ample time for holiday breaks.



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 analysing baseline data, managing existing supplier relationships, and a legal/contracting workstream that would translate the “rules” the team developed into a formal contract.

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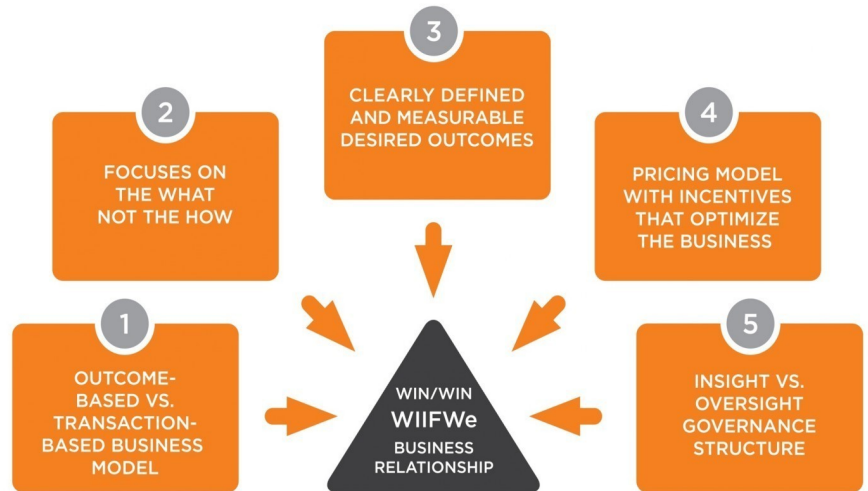
Burningham became a fan of the flow of how the team created their Vested agreement. “I really liked the stage-gate approach where we worked through each Vested rule before moving on. The stage-gates were very good in terms of managing everyone’s thought process. The whole process was very enjoyable because 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.”

In addition, the parties decided to engage Erik Linnarsson – a lawyer from Swedish-based Cirio Law Firm – as its Certified Deal Architect Coach. Erik would play a critical role as a neutral in getting both parties to a true win-win agreement. 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.”

Creating a Vested Agreement: Learning by Doing

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[†] as illustrated in the graphic to the right. 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. The team spent the next eight months working through workshops where they would jointly make decision that would ultimately be reflected as part of the parties’ formal relational contract.



[†] For more information about the Vested methodology see Kate Vitasek, Mike Ledyard and Karl Manrodt, *Vested Outsourcing: Five Rules that Transform Outsourcing* (Palgrave Macmillan, second edition in 2014).

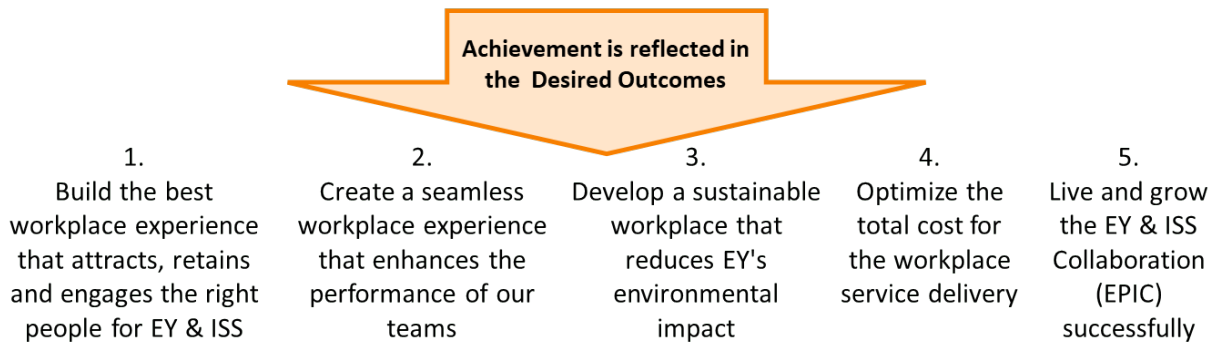
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A good example of how to put the rules into practice was how the Deal Architect Team was Rule 1. An early deliverable from Rule 1 was the creation of a formal shared vision and high-level desired outcomes as part of Rule 1.

EPIC Shared Vision

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



The team then used UT's Requirements Roadmap toolkit to further define each high-level outcome into more concrete strategic objectives and ultimately mapped key performance indicators to each of the objectives – which would ultimately become the foundation for the parties' dashboard for how they would measure success.

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)

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With clear alignment, the team went on to complete the Vested by creating a win-win pricing model and governance structure.

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.”

Before and After Snapshot of EY’s Workplace Service Contract

Together – with the assistance of Cirio Law Firm – the EPIC Deal Architect team finalized their Vested agreement. The chart below 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.

10 Elements of a Vested Agreement





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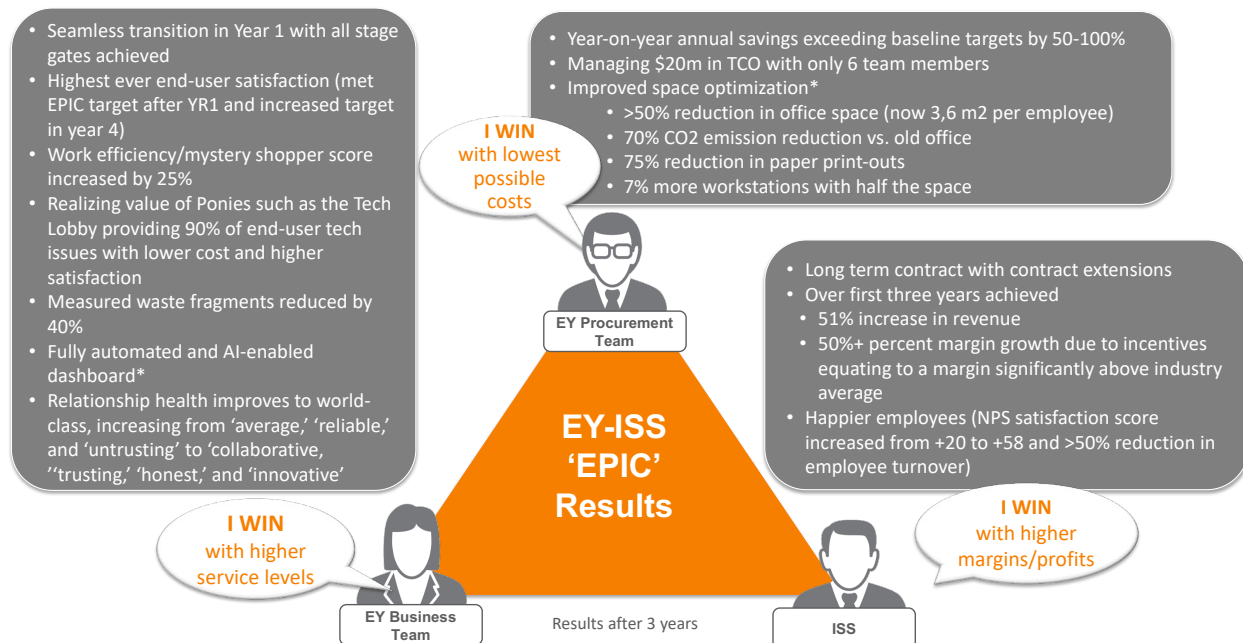
The Results Are Real

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

The parties continued to make steady progress – including a refresh of their agreement with the rollout of EPIC 2.0. The result? As both parties further leaned into the relationship the relationship has strengthened and the results have gotten gone from great to truly EPIC. Below is the **Performance Pyramid** for the relationship which shares a high-level summary of key results achieved in the first three years of the Vested partnership. The Performance Pyramid demonstrates how Vested delivers on the power of *and*; EY’s procurement team won with low cost and the business team won with a world class workplace environment. However, ISS is also winning with revenue growth opportunities and higher profits.

Results After 3 Years



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.

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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. ISS's Susanne Stenhager shares the context. "While EY clearly leads the real estate strategy, ISS provides the workplace services support. Our role is to reimagine how workplace solutions can increase the workplace experience for EY employees."

An excellent example of a Pony associated with the move to EY's new Stockholm headquarters. The building had 1399 sensors that measure everything from employee presence to CO² 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. 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 3.6m² per employee (a typical office has 10m² per employee) while simultaneously increasing already high employee satisfaction by 14%. CO² emissions reduced by 70%, and paper waste has decreased by 79%.

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."



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Forchhammer adds, “The really cool thing is the cultural shift that occurred as we continued lean into Vested.” But what does this really mean in practice? 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’.



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

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.”

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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.



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.



* Prerequisites for *Creating a Vested Agreement* class are:

Five Rules, Is Vested Right?, Getting Ready, and the Vested 3-Day Executive Education Course



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