Based on research with......
Win-Win Thinking is Steeped in Research…

Cooperative Games Win!

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John Nash won a Nobel Prize in 1994
Dr. Oliver Williamson’s research on Transaction Cost Economics won a Nobel Prize in 2009.

“Muscular buyers not only use their suppliers, but they often ‘use up’ their suppliers and discard them.

The muscular approach to outsourcing of goods and services is myopic and inefficient.”
Solow’s Law: Business Growth is Driven by Innovation

87% of Economic growth is driven by “technical change” which is driven by improvements in business process or technical improvements in products.

Solow’s Findings

Labor & physical capital 13%
(e.g. buildings, machinery)

The vast majority of today’s outsourcing contracts are for labor and physical capital rather than for innovation and problem solving!

Solow won a Nobel Prize in 1987
Vested Outsourcing is a Hybrid Model

- Shifts from a conventional “buy/sell” business model focusing on transactions to an “outcome” based business model focusing on results
- Moves beyond saying “strategic supplier” to developing a carefully crafted collaborative agreements
- Creates Value through win-win solutions economics (grow the pie, not fight over the pie)
The 5 Rules of Vested Outsourcing

1. OUTCOME-BASED VS. TRANSACTION-BASED BUSINESS MODEL
2. FOCUSES ON THE WHAT NOT THE HOW
3. CLEARLY DEFINED AND MEASURABLE DESIRED OUTCOMES
4. PRICING MODEL INCENTIVES ARE OPTIMIZED FOR COST/SERVICE TRADEOFFS
5. INSIGHT VS. OVERSIGHT GOVERNANCE STRUCTURE
1. Outcome Based vs. Transaction Based Model

- Most outsourcing relationships follow a *transaction-based* business model.
- This can be cost plus or a fixed price per transaction where the service provider gets paid a transaction fee for each activity that is performed.
- Vested Outsourcing moves to an *outcome-based* business model where the service provider is paid for achieving results, not just for performing tasks or activities.
2. Focus on the WHAT, not the HOW

**Joy’s Law**

No matter who you are, most of the bright people don’t work for you
You got to be very careful if you don't know where you're going, because you might not get there.

- Yogi Berra
4. Pricing Model Incentives Optimize for Trade-ups!

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Solow’s Findings

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The vast majority of today’s outsourcing contracts are for labor and physical capital rather than for innovation and problem solving!
5. Insight vs. Oversight Governance Structure

**ME**
- Getting the supplier to meet my needs
- It’s in the contract, now it’s the supplier’s problem
- Blame and punish the supplier
- Unpleasant surprises

**WE**
- Finding a way to meet both our needs
- Work together to achieve performance and compensation goals
- Communicate the issues, jointly find solutions
- Integrated planning and communications

Manage the Business... Not Just the Supplier!
Benefits: The Vested Approach Works!

• Focus on intended results, not activities
  – Parties are Vested in each other’s success; shared risk and reward to deliver results
  – Mutually beneficial, shared incentives drive innovation and cost effectiveness

• Better competition: not just activities/suppliers, but solutions
  – Supplier shared interests creates buy-in and focus
  – Increased likelihood of meeting corporate goals and objectives
  – TCO and ROI focused – sustainable solutions beyond simple “price” reductions

Overall better value and enhanced performance!
10 Elements of a Sound Agreement

How:

1. Outcome-Based vs. Transaction-Based Business Model
   - Element 1: Business Model
   - Element 2: Shared Vision Statement and Statement of Intent

2. Focus on the WHAT, not the HOW
   - Element 3: Statement of Objectives/Workload Allocation

3. Clearly Defined and Measurable Desired Outcomes
   - Element 4: Performance Metrics for Desired Outcomes
   - Element 5: Performance Management

4. Pricing Model Incentives are Optimized for Cost/Service Tradeoffs
   - Element 6: Pricing Model (Margin Matching / Incentives Framework)

5. Insight vs. Oversight Governance Structure
   - Element 7: Relationship Management Framework
   - Element 8: Transformation Management
   - Element 9: Exit Management Plan
   - Element 10: Special Concerns and External Requirements
Vested Outsourcing Structures the Agreement to Help Prevent Failures

Vested Outsourcing Agreements Address The Top Five Reasons For Outsourcing Failure

- Buyers multi-supplier environment: 3%
- Poor cultural fit: 5%
- Poor performance: 8%
- Not mutually beneficial: 11%
- Poor communication: 11%
- Poor governance: 13%
- Misaligned interest over time: 15%
- Unclear expectations: 23%

Source: Outsourcing Center Survey. Outsourcing Center

Percent of Respondents
Note: 11% in “Other”
WHO: Real Results from Real Companies

- P&G (Real Estate/Facilities Management)
- Microsoft (BPO)
- McDonald’s (Supply Chain)
- U.S. Dept. of Energy (Environmental Services)
- State of Minnesota Dept. of Transportation (Construction)
- Integrated Management Services (Staffing)
- Diversey (IT)
- Water for People (non-profit NGO support in developing countries)
Based on research with......

All books are available on Amazon

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Tells the real stories of...

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What they are saying...

**Tim Cummins, CEO, International Association for Contract & Commercial Management**
"Vested Outsourcing offers a robust approach for developing high-performing strategic relationships."

**Dawn Tiura Evans – President and CEO, Sourcing Interests Group**
"Kate has hit the nail on the head. The “rules” while often spoken about have never been so clearly defined as they are here. The journey to a truly collaborative agreement is practically guaranteed if you follow the step-by-step process outlined in this great book."

**Peter Sheahan, Founder and CEO, ChangeLabs and Author of the Best Selling Book “Flip”**
"Vested Outsourcing truly flips conventional outsourcing on its head. Kate has captured what it takes to drive REAL value through your external partnerships. A must read for anyone who wants to do outsourcing."

**Frank Casale – CEO, Outsourcing Institute**
"Vested Outsourcing is a game-changing approach that will quickly become the new gold standard for advanced outsourcing relationships. It is a critical enabler for Outsourcing 2.0”

**Tim McBride – Chief Procurement Officer, Microsoft**
“As the Chief Procurement Officer at Microsoft it is my job to help us adopt next generation outsourcing models and Vested Outsourcing is definitely one of the tools we have in our toolkit that we are exploring”.

**Todd Shire, Global Logistics Sourcing Strategy Manager, Intel**
"I predict the buzzword for the next decade will be "incentives". Only when our incentives are aligned will we succeed with collaboration. Vested Outsourcing nails how to get collaboration right.”

**Brad Mitchell, President of Distribution and Logistics, UPS**
Listed Vested Outsourcing as one of the top five supply chain trends for 2010, stating, “Companies will take a vested interest in Vested Outsourcing”

**Wall Street Journal – Six Ways Small Businesses Can Save Money**
Vested Outsourcing is identified as one of “six ways small businesses can save money.”
Learn the Fundamentals
3 Day Executive Education Open Enrollment Class

• Held at the University of Tennessee’s campus in Knoxville, Tennessee.

• The class is ideal for individuals wanting to learn more about how Vested Outsourcing works and buyer/supplier teams wanting to explore if Vested Outsourcing is a good fit for their outsourcing deal.

• Attendees receive complimentary soft copies of Vested Outsourcing tools to help them after they leave class.

Learn More Here

Register Here
Creating a Vested Agreement Online Courseware

- The “Creating a Vested Agreement” Online Course consists of 15 self-paced, video-based modules designed to help you create a Vested Agreement.
- Each module delivers critical knowledge, step-by-step practical implementation tools, and a roadmap on how to create a Vested Agreement.
- Courseware is taught by University of Tennessee Center for Executive Education faculty and the authors of The Vested Outsourcing Manual.

Register online at
www.vestedoutsourcing.com/online-courseware