INTRODUCTION:
IMPLEMENTING THE BETTER WAY

In the first book in this series,1 we asked, and then answered, the question: “Is there a better way to outsource?” The result was the pioneering *Vested Outsourcing: Five Rules that Will Transform Outsourcing*, which outlined the need for a new, modern way to outsource based on trust, collaboration, and working together to achieve mutually beneficial goals.

The good news is that companies such as Microsoft, Intel, UPS, and P&G are embracing the concept. But this acceptance has led quickly to the next, challenging series of questions: “Exactly how do you craft a Vested Outsourcing agreement based on the Five Rules? Where do we begin? Is there a template or roadmap you can give me for guidance and success?”

This manual is your resource to answer those questions.

We found that practitioners have a real need for guidance on how to move beyond conventional approaches for developing agreements with strategic suppliers, such as complex outsourcing arrangements with service providers.

For those of you still on the fence, consider the success that Microsoft is having with facilities management with Grubb & Ellis2 and back-office procure to pay with Accenture.3 Grubb & Ellis won Microsoft’s Supplier of the Year award for increasing service levels by 47 percent and decreasing costs by 21.7 percent. Grubb & Ellis has also received Microsoft’s Environmental Supplier of the Year and Diversity Award for exceeding Microsoft...
supplier diversity goals and a Value Award for its leadership in generating cumulative cost reductions to Microsoft in excess of $34 million. Microsoft has also deployed Vested Outsourcing for back-office procure-to-pay operations with Accenture. The joint Microsoft/Accenture team has taken the Triple Crown in the world of outsourcing, winning the industry’s top awards from the Outsourcing Center, the Shared Services Outsourcing Network, and the International Association of Outsourcing Professionals. “We are definitely realizing benefits from our collaborative and mutually aligned relationships with our strategic suppliers that the vested outsourcing model creates. The key is maximizing the areas where we both are aligned and minimizing the areas of divergence. Vested Outsourcing helps us do that,” says Tim McBride, Microsoft’s chief procurement officer.

OVERVIEW OF THIS BOOK’S STRUCTURE

Developing a Vested agreement that creates successful and true vested supplier relationships is not as simple as it seems. Why? Companies lack a proper roadmap that details in a straightforward and clear manner how to create a practical system that works in a technological and global world. We wanted to develop such a roadmap that allows a company to move beyond merely paying lip service to the idea of a partnership by creating true win-win agreements where all the parties have a vested interest in mutually defined Desired Outcomes.

A foundation of this manual is the seminal work of the 2009 Nobel laureate Oliver E. Williamson in Transaction Cost Economics and economic governance. He advocates that companies develop a plan and a contract that are flexible frameworks, where companies work collaboratively and proactively to address their ever-changing business needs rather than create rigid processes that put suppliers in a box, with every change being “out of scope” and causing tensions.