

”New model for partnership creates value both for customer and supplier”

Coor guide Vested Outsourcing

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Winning together A business model based on partnership



Relationship-based business models are a trend that is gaining ground in Facility Management (FM).

The results can be fantastic. You have to dare to see the opportunities.



More and more companies are discovering that it's difficult to create a long-term, innovative FM delivery that contributes real value to the core business. That may be because FM services often are procured with a heavy focus on prices and detailed instructions

These days, companies are increasingly demanding a result-based business model in which a carefully developed collaboration creates a shared interest for both the customer and the supplier. The keywords are intensified partnerships, innovation

and in the long run greater customer satisfaction.

FM services aren't just about monitoring the number of hours spent cleaning or how the reception desk is staffed—which is typical with a transaction-based business model. Rather, they're about achieving better results using the relationship-based Vested Outsourcing business model. The model can be described as an agreement between the customer and supplier based on a close, well-defined partnership.

Relationship-based FM contracts under the Vested model are considerably greater than the sum of their parts. By following the model's five steps to a partnership with a shared vision, the gains are greater for everyone involved compared with a transaction-based relationship.

Vested originated at the University of Tennessee in the United States, which has long been conducting research into the conditions of successful partnerships. Since the model was launched in 2010, more and more companies—including Microsoft, Dell and McDonald's—have applied Vested with great success. ●

Innovative business model for outsourcing with Storebrand

The Norwegian finance and insurance company Storebrand had two main suppliers and a large number of suppliers of FM-related services in its property management division.

Now the company only has one: Coor. The two companies have jointly built up a new business model based on a strategic partnership.

It is the FM supplier's job to replace a filter in the ventilation system once a month. The supplier has found a better filter that only needs replacing every other month; but if they told the customer, they would get paid less for the same service. Should the supplier tell them or not?

This is a case that Trygve Dahl, senior sourcing manager at Storebrand, takes up as an example of how the traditional transaction-based FM contracts don't work.

"The supplier has no incentive to work consciously with improvements and innovation to save the customer money and improve quality. Those are some of the reasons why we wanted to change our business model," he says.

The Vested business model turns all the traditional outsourcing routines on their collective ear. Instead of procuring a carefully defined service, the parties enter into a strategic partnership where trust is a key factor.

"Partnerships of various types are not uncommon in big FM contracts," Trygve Dahl explains, "but Vested has elements that benefit businesses with development

and innovation ambitions. That's a big, crucial difference."

Storebrand's "Vested journey" began in the spring of 2017. The company's property management division had built up a wide portfolio of suppliers over the years that was cumbersome to monitor.

"This, in combination with a new corporate strategy, led to a need to consolidate and change our thinking," Dahl says. "So we developed a new outsourcing strategy that clearly emphasizes Storebrand's focus on sustainability. We soon realized that we needed a strategic partner that thought like us, but with property operations as its core business. We started looking for a supplier that was interested in, and could be expected to manage, a strongly relationship-based agreement. Coor is a specialist company and a supplier we found through the Vested process, and we've established a good relationship with them."

"We are also very happy with the mutual long-term focus in the contract"

Changing business models was a daring path to travel, he admits, but the new management of Storebrand Eiendom was completely on board with the new outsourcing strategy and business model.

What was the real challenge of switching from a transaction-based business model to a relationship-based one like Vested?

“One major difference in comparison with traditional procurement is that the Vested model is an enhanced relationship-based contract form with a fixed framework that helps to control the process. The order of priorities is completely reversed from traditional procurements. Instead of requirement specifications and price negotiations, a Vested process focuses on building trust. The collaboration is largely about creating and maintaining trust between the parties, which demands a great degree of openness and transparency from both sides.”

The Vested business model consists of five rules, placing vision, strategic goals and key performance indicators (KPIs) first. The price model comes in at the fourth step. The fifth and final rule deals with the management model as a key success factor.

But first, before embarking on the Vested journey, the two parties define “guiding principles,” a set of demands that must be met if they are to go on to become a permanent contract. Once the parties agree on the requirements, the journey can start, which later leads to a final agreement.

About Storebrand:

Storebrand’s history dates all the way back to 1767. The company consists of a holding company with four areas of operation, which are organized in subsidiaries: life insurance, general insurance, banking and asset management. Social responsibility is an integrated part of the group’s operations. The company is registered on the Oslo Stock Exchange’s OBX index.

To go back to the initial example, the more effective ventilation filter, the Vested model contains an incentive for the supplier to develop the services. The gains the customer makes through replacing the filter less often are shared with the supplier according to a model. The key figures are also linked to quality assessments conducted with Storebrand’s commercial tenants. Happier customers are a priority in a Vested contract.

“It’s been a very inspiring journey, in which we and Coor together had to think outside the box, and it’s going to be exciting to see where it leads,” Dahl says. “We’re also very happy with the mutual long-term focus of the contract and all the new knowledge we will be able to use in the future.” ●



Trygve Dahl

Senior Sourcing Manager
at Storebrand

”Storebrand’s commitment was the deciding factor”

Vested Outsourcing starts with a focus on the partnership details.

“Now the foundation is laid for our partnership with Storebrand, and we look forward to a long-term collaboration in innovation, improvements and sustainability,” says Yi Feng Guo, Business Development Manager at Coor.

Sorebrand Storebrand and Coor are breaking new ground in Norway by being first with the Vested business model. Yi Feng Guo is

business developer at Coor in Norway and project manager for sales negotiations until the contract is signed, nine months later.

Storebrand’s attitude towards the Vested business model was the deciding factor.

“They wanted to work with a strategic partner focused on innovation, improvements and development,” Guo says.

”Vested is good for customers who are really focused on their goals.”

“Vested is good for customers who are really focused on their goals.”

In the procurement phase, we held two workshops on themes like technical ability and capacity, and attitudes towards collaborative processes and long-term partnership.

“Above all, there’s a lot of work in the introduction phase, but Storebrand is a mature customer that understood the need for their commitment. The senior

management from both Coor and Storebrand participated in the entire Vested process.”

In the course of six months, another 15 whole-day workshops were held, in which the Vested-certified consulting firm EY and the business law firm Lindahl participated. The process went quite smoothly, Guo says:

“Every aspect of the collaboration was aired step by step, and no challenges were too hard to overcome. Now we look forward to establish quality in the delivery, and in the long run develop innovation, improvements and sustainability.” ●



Yi Feng Guo

Business Development
Manager at Coor Norge

Tip

Five steps to win-win

The Vested Outsourcing business model is based on five steps, each of them equally important for enhancing a partnership. Vested is about cutting expenses for customers while giving them revenue-boosting innovations, and at the same time enabling the supplier to make decent money—a win-win situation.

1

A business relationship based on mutuality.

The most important thing is the result—not the individual transactions. Switching from a transaction-based business model to a result-based one is a big step toward greater customer satisfaction. It's about establishing the basic norms the whole collaboration is based on. A shared vision guides the partnership towards the business critical goals.



2

Focus on what, not how.

At this stage we are not discussing the work itself, but the strategic goals the partners are to achieve. Flexibility in the relationship is a requirement for a successful partnership. If both parties hold a common vision, the supplier can be entrusted with solving the customer's problems without micromanagement. Flexibility creates more opportunities for innovation.

“Flexibility creates more opportunities for innovation.”



Tip

3

Define measurable goals and achievements.

When the core work of developing the vision, norms and strategic objectives is finished, it's time to agree on how to measure progress (through KPIs) how often and at what level.



4

Optimized price model for the right incentive.

When the customer and supplier have agreed on what they want to achieve, it's time to put together a price model that gives both parties a competitive edge. The price model is based on the three previous steps, where the goal is for the customer

to get a combination of reduced costs, higher quality of the service delivery and innovation. The price model rewards the supplier when the customer achieves its critical business goals – a clear win-win model.

”The price model rewards the supplier when the customer achieves its critical business goals – a clear win-win model”

5

Management model for insight, not just oversight.

One factor for the business model's success is to create incentives to create new values for the customer, for example in the form of increased revenues, enhanced customer benefits or better results in various third-party measurements, such as a customer satisfaction index. That's why regular collaboration procedures and clear transparency regarding costs and revenues are crucial.

”Vested isn’t that complicated”

Coor’s extensive experience of close partnership with major customers means that our Vested Outsourcing offer is well supported.

“We are pleased to see that there is now a framework in the form of Vested for a working method we’ve been using for a long time,” says Erik Sörnäs, Vice President of Business Development at Coor.

Everyone boards the same boat and the sails unfurl. As the course is set and the anchor is raised, everyone on board, regardless of company, rolls up their sleeves to set sail for their destination.

Sörnäs likes using metaphors when he describes how Vested works.

“There’s nothing complicated about Vested. At the heart of it, it’s about ensuring that the FM supplier does things that are important to the customer. We’re really pleased to work with the customer toward shared goals.”

Even if most contracts are still of the traditional type, Sörnäs sees a clear trend of relationship-based agreements on the FM market. The business model is mostly familiar to big companies, but a growing number of businesses are taking an interest in relationship-based partnerships. Sörnäs likens the model to a marriage:

“Vested demands the same kind of loyalty and honesty as a long-term relationship. Just like in a marriage, you also need a certain autonomy or flexibility for the relationship to last.”

The procurement process is different when customers want to establish closer ties with the supplier through the Vested model. For example, undesired companies are weeded out at a much earlier phase in the process, because it’s important that the supplier really understands the demands that it will face.

“With the Vested model, you develop the service content together,” Sörnäs says. “The discussions are more about how to reduce the total cost burden while focusing heavily on how the supplier

and the customer will work together to achieve critical business goals.”

Sörnäs says that the first three steps in the model are crucial for successful collaboration. More than 15 full-day seminars may be required to get through all the modules. Price doesn’t come up until close to the end of the process.

“If we and the customer manage to achieve their business goals or defined key performance indicators, then both they and we benefit,” Sörnäs explains.

Key performance indicators don’t have to be financial goals; they may be indirect goals, like the customer becoming a leader in sustainability reporting, having high employee satisfaction or achieving better results in third-party indices. The price model can also be linked to innovation.

“The customer doesn’t focus on how we clean or how long it takes, they evaluate the results of our services. In addition, there is a strong focus on new working methods for reducing costs, as well as proactivity and vision. Innovation can lead to new services, which in turn contribute to achieving the customer’s goals.” ●



Erik Sörnäs

Vice President of Business Development at Coor

”Complete responsibility for deliveries”



At Coor tailor our solutions to your unique needs. We have the Nordic region’s greatest experience of complex FM deliveries, and in the past 20 years we’ve helped many companies to provide better service and better working environments for their employees. Coor takes full responsibility for its FM deliveries, regardless of size or need for services. As our customer, you have one contact with us, who is responsible for personnel and customer satisfaction. Short decision pathways, flexible business models, and employees who go the extra mile to give you the best possible service, make our customers the most satisfied on the market. ●



Erik Sörnäs

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