

VESTED INTEREST:

When my
partner's
success
is my
success

Interview with
Kate Vitasek

The traditional approach to setting up a new business partnership is to thresh out a contract based on “us versus them” metrics, in which each side aims to come out on top of the deal. But there is another way – in which everyone wins – as Kate Vitasek explains.



Vested 7 books



Q It's wonderful to meet you Ms Vitasek. Thank you so much for your time. Could we begin with what drives you as a professor and researcher?

A I always tell people I have the coolest job on the planet. The research and work I do at the University of Tennessee (UT) is part of the university's Global Supply Chain Institute. Being in the supply chain discipline, we focus on how to make things work better, so our research is very applied and practical in nature.

I love the combination of researching and teaching, because it creates a virtuous circle that feeds on itself. The more we research a topic, the smarter we get. And the smarter we get, the better we are at creating world-class programmes, such as our Certified Deal Architect programme, which teaches organisations how to create highly collaborative win-win business relationships. And when companies send team members to take our courses and apply the concepts we teach, we often get the opportunity to do further research or to create case studies where others can also benefit.

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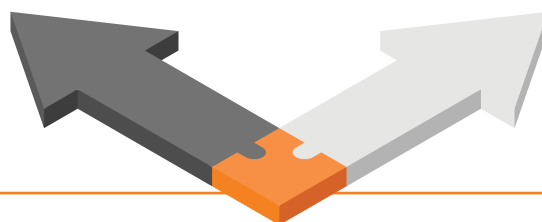
Q As the architect of the Vested Business Model by the University of Tennessee College of Business Administration, You have a unique background. How would you say this has influenced your business and academic perspectives?

A Prior to being in academia, I worked for Microsoft and then later for one of Microsoft's largest suppliers. I realised early on how easy it is to say "strategic partner" only to have results fall short of the hype and promise of strategic relationships. Having been on both sides, I went into consulting with the idea that I could use the learnings from that in order to help clients get a better deal.

It wasn't until I shifted to academia that the "aha!" button turned on. The shift afforded me the privilege to look at strategic partnerships from a totally objective perspective. Looking through an academic lens takes more of a long-term, holistic view. The research we were doing at UT allowed us to see systemic issues with the underlying business model of strategic business relationships that I simply could not see from being an actor in the process of doing strategic deals. The learnings were profound and led to what we coined as the "Vested" business model for highly collaborative strategic business relationships.

Q Your organisation prides itself on being the creators of the Vested methodology. Could you give us a general overview of how it all works?

A The Vested methodology involves creating a cross-functional, joint deal-architect team between the business partnerships. This is important, because a strategic business deal requires all facets from both business partners to align – including operations, finance, legal and, where appropriate, procurement/sales. The team then jointly co-creates the business partnership to follow the Vested Five Rules, supported by 10 contractual Elements. When organisations follow the rules and embed the 10 elements into their contract, they create a Vested business model, which is a formal relational contract using a win-win, outcome-based economic model.



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down price, and a classic supplier metric is revenue, where the sales or account person is measured on revenue growth. These two metrics are in direct conflict with each other and companies find themselves negotiating where there is a winner or a loser.

The Vested methodology is designed to help organisations escape this Catch-22 and shift from just saying “strategic partnership” to becoming strategic business partners using a formal relational contract with a win-win, outcome-based economic model. The parties mutually agree on desired outcomes and then align the metrics and economics of the relationship in which a win for the buyer is a win for the supplier – and vice versa. In essence, the parties have a vested interest in each other’s success.

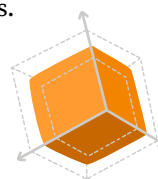
Q How can business organisations adapt to the ever-changing business ecosystem while continuing to establish new partnerships?

A The first step is to realise that an organisation’s contracting processes may be putting them into a Catch-22. A fundamental flaw in strategic relationships is that they almost always use conventional transactional contracts as the foundational anchor for the deal and contract. On the one hand, business partners talk about “strategic partnership” and how they need flexibility but, on the other hand, they write rigid transactional contracts that are not flexible and have “us versus them” metrics. For example, a classic procurement metric is purchase price variance, where the procurement team is measured on driving

Q Is a Vested business model suitable for all types of strategic relationships?

A That is a great question that we get a lot – especially from procurement professionals who are often chartered with creating more strategic and value-based supplier relationships. The question inspired us to write the book *Strategic Sourcing in the New Economy: Harnessing the Potential of Sourcing Business Models for Modern Procurement*.

The simple answer is that Vested is most appropriate for strategic business relationships that are longer-term in nature, where there is a high degree of dependency, and where flexibility and innovation are essential. For example, think of strategic outsourcing deals where the supplier is an extension of the buyer, or complex supply chain relationships where flexibility is





critical, or strategic suppliers where investment in new products and services is important.

Q We would be glad to hear some of your tips on how outsourcing firms can boost competitiveness and stimulate progress amid the challenges posed by the pandemic?

A As part of our research, we developed a simple [online self-assessment](#) that organisations take to see if they suffer from one or more of the 12 common “outsourcing ailments”. One of the most common ailments is the [Outsourcing Paradox](#), where the company buying goods or services outsources to the expert, yet has their “experts” within the company develop a perfect statement of work (SOW) and performance metrics to micro-manage the supplier. To put it simply, if you are an expert – don’t outsource! But if you are outsourcing because the supplier is the expert and your goal is product or process efficiencies, don’t handcuff the supplier into an SOW and metrics that require them to do the work precisely the way you did before outsourcing.

Q Given your expertise, how do you think industry leaders can formulate resilient strategies to accelerate recovery in supply chains and outsourcing?

A There is a massive amount of research on the power of collaboration. Unfortunately, far too many companies view collaboration as putting people in a meeting room on a Zoom call and telling them to work together without a common purpose or realising that their internal performance metrics may actually be pitting collaborators against each other. True collaboration shifts to co-creation, where the parties have a shared vision and toss out conflicting internal metrics.

Q What would you say are some effective mitigation procedures that could be utilised in response to future challenges posed by emerging digital innovation?

A I’ll go back to the idea of co-creation with a common shared vision. A good example in practice is how Walmart turned to co-creation with DLT Labs and Bison Freight to design and build the world’s largest industrial blockchain application to revolutionise the freight payment process between Walmart and its freight carriers.

Freight payment data discrepancies have plagued the supply chain industry for decades. In fact, the problem is so pervasive that many companies hire third-party business-process outsourcing service providers to sort through



the invoices and manage their freight claims process. When Walmart Canada set aside its power and invited Bison and DLT Labs to have a seat at the table to leverage emerging digital innovation, the results were transformational, with a whopping 98.5 per cent reduction in freight claims.

Q Turning to the future, what broader, realistic business and leadership steps should be taken to improve the business growth environment, perhaps with regard to creating jobs in the post-pandemic world, strengthening business models, or making benefits more accessible? How does this align with your vision of Vested?


A The first step is to have an open mind and be willing to change. Whether it is shifting to a Vested business model with your most strategic business partners or adopting new technologies such as blockchain, don't be afraid to try new things. One of the best pieces of advice I ever got as a young professional is: "Call what you are doing a pilot." This helps give you airspace to do something that many people may be sceptical about, because it does not seem so permanent. In this spirit, I tell people don't try to change the entire procurement and contracting process; rather, change the world one deal at a time!

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Q Lastly, you bring inspiration to your readers and to future generations of women. What can you say to women who have been told that there is no place in business and leadership for them?

A First, be inspired by the wonderful women around the world who are breaking barriers every day. Then,

using this as inspiration, don't be afraid to challenge the status quo like the women who have inspired you.

My advice is to remember that change is hard. As you seek to challenge the status quo, it can mean you find yourself stuck in an organisation or surrounded by people who don't value your talents and won't embrace change. If you find yourself in this situation, don't be afraid to make a change that you can control, by leaving for a more progressive organisation that will value your talents and be open to piloting your ideas. 

EXECUTIVE PROFILE



Kate Vitasek is an international authority for her award-winning research and Vested® business model for highly collaborative relationships. She is a faculty member at the University of Tennessee and is the author of seven books and the Harvard Business Review article [A New Approach to Contracts](#).