FINDING THE RIGHT SOURCING BUSINESS MODEL

TRANSACTION-BASED AGREEMENTS ARE THE CORNERSTONE OF CONVENTIONAL SUPPLIER CONTRACTS, BUT SHOULD THEY BE?

Research is proving alternative sourcing business models can play a significant role in creating value in more complex, risky, or strategic contracts. The key is knowing when to use which model.

BY KATE VITASEK

In 1776, Scottish philosopher and father of modern economics Adam Smith observed the human propensity for self-interest and formulated his "invisible hand" theory with the publication of *An Enquiry into the Nature and Causes of the Wealth of Nations*. He stated that society benefits as a whole from a multiplicity of trading transactions because humans seek what is best for them, resulting in fairness and honesty among equals. (See **FIGURE 1** on page 26.)

More than 250 years later, Smith's philosophies remain the cornerstone of conventional supplier relationships. The lion's share of today's supplier contracts is grounded in transaction-based procurement and contracting practices. For the most part, transaction-based approaches served the profession well throughout the twentieth century, but times have changed. Today's procurement and contracting professionals must maneuver in an environment that is more dynamic and volatile than ever before. This means balancing what seems to be insurmountable, conflicting goals of reducing cost structures while driving innovation and mitigating risks.

Many public sector organizations are turning to alternative sourcing models to meet the challenges for

FIGURE 1. ADAM SMITH'S "INVISIBLE HAND" THEORY

As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by **an invisible hand** to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

—Adam Smith,
The Wealth of Nations, 1776

complex, risky, or strategic contracts. For example, the Department of Defense has advocated for performance-based contracts for weapons systems maintenance and support since 2003,[1] state procurement organizations are increasingly turning to alternative models for construction projects,[2] and no one can deny the rise of public-private partnerships—for example, at least 25 states have enacted legislation[3] to enable private-sector participation in infrastructure projects:

> These public-private partnerships…, already commonplace in many parts of the world, combine the best of public-sector governance with the most valuable of private-sector efficiencies.[4]

A great example of a success story using an alternative sourcing model occurred in the aftermath of the tragic I-35W bridge collapse in Minnesota in 2007. Time was of the essence and the challenge was to complete a replacement bridge within 18 months. The Minnesota Department of Transportation approached the rebuild in a radically different way by employing a rarely used state law[5] that granted authority to use a best-value approach versus the conventional cost-plus-lowest-bid method. The Minnesota Department of Transportation set out to find the right partners that would share in the risk and reward of the project's success. The result was a smashing success:

The 1,223-foot bridge was completed in just 11 short months;

The completed project was under budget;

The project received multiple awards, including the grand prize from America's Transportation Awards for "representing the best in innovative management, accountability, and timeliness"; and

The Flatiron Manson (the contractor) was handsomely awarded with incentives for meeting the state's desired outcomes outlined in the contract.[6]

This was a true win-win contract, and represents a stark contrast to various traditional transactional contracting methods, such as paying for time-and-materials or fixed-fee arrangements, which are often fraught with scope creep battles.

With successes like the Minnesota Department of Transportation's bridge project, more and more organizations are looking for direction on how to structure various types of agreements.[7]

SOURCING IS A CONTINUUM

For centuries, organizations have thought of procurement as a "make vs. buy" decision. This is especially true as organizations began to explore outsourcing. Many organizations have assumed that if they "buy," they should use competitive "market" forces to ensure they are getting the best deal. In doing so, the default approach is to use a transaction-based model.

Transaction-based models work well for simple transactions with abundant supply and low complexity, where the "market" can correct itself. After all, if a supplier does not perform, you can just rebid the work. However, there is growing awareness that transaction-based approaches do not always give each party the intended results.[8] Research by the International Association for Contract and Commercial Management shows that conventional transaction-based models are constrained by a formal, legally oriented, risk-averse, and liability-based culture.[9] Further, University of Tennessee research shows that alternative sourcing business models are viable approaches to the conventional transactional methods because they seek to align interests, often through incentives and shared risk/reward economics.[10]

Economists are also providing sound research. Oliver Williamson, professor of economics at the University of California, Berkeley, challenged the traditional view of sourcing practice with his Nobel Prize–winning research in "transaction cost economics." One of Williamson's key lessons is that organizations should view sourcing as a continuum, rather than a simple market-based make vs. buy decision.

A good way to think of Williamson's work is mapped out in **FIGURE 2** on page 27, with

FIGURE 2. A CONTINUUM OF SOURCING SOLUTIONS

free-market forces on one side and what Williamson refers to as "corporate hierarchies" on the other. In the middle, Williamson advocated that organizations should use a "hybrid" approach for complex contracts.

THE SEVEN SOURCING BUSINESS MODELS

University of Tennessee researchers have mapped seven sourcing business models into the three categories along Williamson's sourcing continuum.

Transactional (Williamson's "Market" category)

- Basic Provider Model
- Approved Provider Model

Relational (Williamson's "Hybrid" category)

- Preferred Provider Model
- Performance-Based/Managed Services Model
- Vested Business Model

Investment (Williamson's "Hierarchy" category)

- Shared Services Model
- Equity Partnership Model (e.g., joint ventures, subsidiaries, etc.)

The models differ from a risk/reward perspective and should be evaluated in the context of what is being procured. While there are many different names for various alternative delivery methods and contract types, almost all fall into one of these seven sourcing business models. **FIGURE 3** on page 28 shows how the sourcing business models fall along the sourcing continuum. A high-level summary of the characteristics

FIGURE 3.

Market		Hybrid			Hierarchy	
Transactional		Relational			Investment	
Basic Provider Model	Approved Provider Model	Proposed Provider Model	Performance Based/ Managed Services Model	Vested Business Model	Shared Services Model	Equity Partnerships

and attributes for each of these approaches are reviewed in detail as follows.

Basic Provider Model

A basic provider model is transaction-based. It usually has a set price for individual products and services for which there are a wide range of standard market options. Typically, these products or services are readily available, with little differentiation in what is offered.

A basic provider model is used to buy low-cost, standardized goods and services in a market where there are many suppliers and switching suppliers has little or no impact on the business. Buyers typically use frequent competitive bidding (frequently with pre-established electronic auction calendar events). Often, a purchase requisition triggers transactions that signal the buying company's agreement to buy preset quantities of goods or tasks.

The buyer-supplier relationship is based largely on a review of performance against basic criteria. For example, did the supplier work the hours claimed? Did the goods received meet the agreed-to quantity, cost, and delivery times?

Approved Provider Model

An approved provider model also uses a transaction-based approach: Goods and services are purchased from prequalified suppliers that meet certain performance or other selection criteria. Frequently, an organization has a limited number of preapproved suppliers for various spend categories from which buyers or business units can choose. Multiple suppliers mean costs are competitive, and one firm can easily be replaced with another if the supplier fails to meet performance standards.

An approved provider is identified as a prequalified option in the pool of basic providers. Approved providers fulfill conditions for specified service through a set of criteria or previous experience with performance reliability. To reach approved status, suppliers frequently offer some level of differentiation from other transactional suppliers and provide a cost or efficiency advantage for the buyer. The differentiation could come in the form of geographical location advantage, a cost or quality advantage, or a minority-owned business.

Procurement professionals often turn to approved providers as regularly solicited sources of supply when bidding is conducted. An approved provider may or may not operate under a "master agreement," which is an overarching contract with the buying organization.

In order to create a seamless and readily accessible supply chain, many organizations develop lists of approved providers. A preapproved list saves time when seeking particular goods and services. The approval process also ensures parity between bidding qualified suppliers. As an organization selects its approved provider list, it molds the required qualifications to its unique business objectives and strategy.

Preferred Provider Model

Like the basic and approved provider models, a preferred provider model uses a transaction-based economic model, but a key difference between a preferred provider and the other transaction-based models is that the buyer has made the choice to move to a supplier relationship where there is an opportunity for the supplier to add differentiated, incremental value to the buyer's business to meet strategic objectives. This insertion of the supplier's contribution into the buyer's business processes creates the need for a relational model. Thus, contracts with specifically chosen supplier(s) assume a more collaborative relationship. Repeat business and longer-term and/or renewable contracts are the norm.

Similar to an approved provider model, buyers seek to do business with preferred providers to streamline their buying processes. Buying organizations typically enter into multiyear contracts using master agreements that allow them to conduct repeat business efficiently. While preferred providers are still using transaction-based economic models, the nature and efficiencies of how the organizations work together go beyond a simple purchase order and consider how a supplier can provide value-added services.

A preferred provider is a prequalified supplier. Often they offer unique differentiators such as value-added benefits and services and/or demonstrated acceptable and predictable levels of performance. For example, a preferred provider may have superior software that interfaces with an organization's own system.

It is common for preferred providers to work under blanket purchase orders and rate cards that make conducting repeat business easy. For example, a labor-staffing firm may have a rate card that lists the hourly rate set for various types of staffing needs. The buying organization can request staffing support from the preferred provider using the predetermined blanket purchase orders and rate cards.

Performance-Based/Managed Services Model

A performance-based (or managed services model) is generally a formal, longer-term supplier agreement that combines a relational contracting model with an output-based economic model. A performance-based model seeks to drive supplier accountability for output-based service-level agreements and/or cost reduction targets. A performance-based agreement typically creates incentives (or penalties) for hitting (or missing) performance targets.

Sourcing decisions are based not only on a supplier's ability to provide a good or service at a competitive cost, but also on its ability to drive improvements based on its core competencies. Performance-based agreements shift thinking away from activities to predefined outputs or events. Some organizations call the results "outcomes." However, it is important to understand that a performance-based agreement should hold a supplier accountable only for what is under its control. For that reason, in performance-based models, the word *outcome* typically means a supplier's *output*—which is a well-defined and easily measured event or a deliverable that is typically finite in nature.

Performance-based agreements require a higher level of collaboration than preferred provider contracts because there is a higher degree of integration between the supplier and the buying organization. In addition, buyers need to apply more formalized supplier relationship management efforts to review performance against objectives and to specify the incentive or service credit (also referred to as a "malice payment" or "penalty") payments that are embedded in the contracts.

THE FUTURE WILL BE WON BY THOSE WHO EMBRACE MORE SOPHISTICATED SOURCING BUSINESS MODELS PURPOSELY DESIGNED TO CREATE VALUE AND HARNESS THE POWER OF HIGHLY COLLABORATIVE RELATIONSHIPS WITH SUPPLIERS THAT CAN HELP DRIVE TRANSFORMATION AND INNOVATION IN YOUR ORGANIZATION.

Vested Sourcing Business Model

A "Vested sourcing business model" is a hybrid relationship that combines an outcome-based economic model with a relational contracting model. It incorporates the Nobel Prize–winning concept of behavioral economics and the principle of shared value. Using these concepts, companies enter into highly collaborative arrangements designed to create and share value for buyers and suppliers above and beyond the conventional buy/sell economics of a transaction-based agreement. In short, the parties are equally committed (i.e., "vested") to each other's success.

The Vested model is a highly collaborative sourcing business model where the organization and the supplier have an economic interest in each other's success. A good example is the U.S. Department of Energy (DOE) contract with Kaiser-Hill, which created a shared risk/shared reward contract for the cleanup of the Rocky Flats nuclear site. The agreement was structured so that the more successful Kaiser-Hill was at achieving the agency's goals, the more successful Kaiser-Hill became. The official Government Accountability Office review credited the DOE contract as a role model for contracting success.[11] More recently, the Canadian government used a Vested model for its Vancouver Coastal Health contract for environmental services agreement. A Vested model is best used when an organization has strategic transformational and/or innovation objectives that it cannot achieve by itself or by using conventional transactional sourcing business models (i.e., basic provider, approved provider, preferred provider) or a performance-based agreement.

These transformational or innovation objectives are referred to as *desired outcomes*—measurable strategic business objectives that focus on what will be accomplished as a result of the work performed. Desired outcomes are not task-oriented service-level agreements, such as those typically outlined in preferred provider or performance-based agreements. Rather, desired outcomes are strategic in nature and often can only be achieved with a high degree of collaboration between the buyer and provider and/or with investment by the supplier. As such, Vested agreements almost always carry some aspect of a shared risk/shared reward pricing model.

Shared Services Model

Organizations that struggle to meet complex business requirements with a supplier can always invest to develop capabilities themselves (or "insource"). One approach is to develop an internal shared service organization with the goal of centralizing and standardizing operations that improve operational efficiencies. A shared services model is an internal organization based on an arm's-length outsourcing arrangement. Using this approach, processes are often centralized into a shared service organization that charges business units or users for the services they use. In some instances, shared service organizations are formed externally from the company (such as a subsidiary).

Shared service organizations typically act like outsourced suppliers, performing services and then "charging" their internal customers on a per-transaction or actual cost basis. Shared service organizations generally mirror conventional preferred provider models. The main difference is that the shared service organization is an internal supplier rather than an external supplier.

Organizations can use a shared services model for a variety of functional services, such as human resources, finance operations, or administrative services (e.g., claims processing in healthcare). For example, large organizations may centralize human resource administration into a shared service organization to provide benefits management to their own employees and even external clients. Small enterprises can benefit from a shared services model by joining forces to create specialized service centers that provide an economic, functional service to each of the smaller firms.

Equity Partnerships

Some organizations decide that they do not have internal capabilities, yet they do not want to invest in a shared services organization. In these cases, organizations may opt to develop an equity partnership such as a joint venture or other legal form in an effort to acquire mission-critical goods and services.

An equity partnership creates a legally binding entity. They take different legal forms, from buying a supplier (an acquisition) or creating a subsidiary to equity-sharing joint ventures or entering into cooperative arrangements. Equity partnerships are best used when an organization does not have adequate internal capabilities and cannot, or does not want to, work with an external supplier.

Equity partnerships, by definition, bring costs "in house" and create a fixed-cost burden. As a result, equity partnerships often conflict with the desires of many organizations to create more variable and flexible cost structures on their balance sheet.

DIFFERENT MODELS FOR DIFFERENT NEEDS

While business needs have evolved, the fundamental nature of how we procure goods and services has not. The vast majority of organizations (public and private) still use the same transaction-based approach for procuring complex goods and services as they do to buy more simple commodities and supplies.

Many contracting professionals wrongly assume that a transaction-based model is the only way to architect a supplier contract. For simple transactions with abundant supply and low complexity, a transaction-based business model is the most efficient model. However, the real weakness of a transaction-based approach emerges when any level of complexity, variability, mutual dependency, or customized assets or processes are part of the transaction. A transaction-based approach cannot produce perfect market-based price equilibrium in variable or multidimensional business agreements.

Thus, hybrid sourcing business models built with relational contracts and output or outcome-based economic models are more appropriate.

For this reason, it is imperative that organizations select the most appropriate sourcing business model for their situation.

DETERMINING THE BEST SOURCING OPTION

Think of a sourcing business model as a "system," as each is purposely built to optimize the business needs given the critical operating factors. To help organizations determine the best sourcing business model for their situation, the University of Tennessee led a collaborative effort with academic and industry experts to develop a "business model mapping" process that is easy to use. Determining the most appropriate sourcing business model is a factor of two components:

The most appropriate relationship model, and

The most appropriate economic model.[12]

It should be noted that there is not a "one size fits all" sourcing business model. What might be a good model for buying pencils will likely not be a viable model for a highly complex IT outsourcing initiative. It is also important to realize that no model is "better" than another. It might be tempting to think a Vested relationship sounds good because a supplier will drive innovation, but if the business model mapping process indicates that a preferred provider model is more appropriate, you will have over-engineered your efforts.

The business model mapping process is a four-step process. Stakeholders assess (or "map") 25 key attributes across seven dimensions using an open-source business model mapping toolkit that will indicate which sourcing business model is the right choice.[13] The four steps of the business model mapping process are as follows.

DEALING WITH THE VARIOUS SOURCING OPTIONS DOESN'T HAVE TO BE COMPLICATED.

Step 1: Determine the Sourcing Categories

The first step is to define the requirements for the key categories of products/services the organization needs to either make or buy. This includes products/services that are currently insourced, currently outsourced, or perhaps not being accurately managed at all. Complete a business model mapping exercise for each of the categories under the scope of the business. You can use the exercise for both "direct" or "indirect" spend categories. You can complete the business model mapping exercise by asking: "What if I bundled smaller categories into a broader, more holistic category? How would that affect the dependency, risk, and potential to create value?" This is exactly what Microsoft did when it outsourced its finance operations to Accenture. Bundling several of the spend categories allowed Accenture to have an end-to-end perspective allowing synergies that could not be realized if the categories remained unbundled.

Step 2: Determine the Best Relationship Model

Once the organizations have gathered knowledge on categories, they begin the physical "mapping" part of the process. This involves determining the best relationship model and the best economic model for their particular environment.

This step is designed to help you determine which relationship model is most appropriate (i.e., transactional, relational, or investment-based). The business model mapping template includes 14 attributes. Mapping will help you answer these questions:

What is the overall level of dependency associated with the product or service?

What is the strategic impact of the product or service category?

Does this product or service provide your organization with a core competency or competitive advantage?

What is the degree of risk associated with this product or service category?

Step 3: Determine the Best Economic Model

Step 3 maps additional attributes that determine the best economic model for your situation. The economic model determines how you will manage the economics of the relationship (e.g., pay the supplier). There are three economic models.

Transaction-Based Model

The most prevalent economic model among businesses today is transaction-based. Transaction-based models are also the easiest to administer–the are driven by behaviors or tasks. For example, if a supplier is typically paid per activity—e.g., price per unit, per hour, per mile, per call answered, etc.—and you record the number of completed activities, you can easily determine how much to pay the supplier. For example, $15 per hour × 1,000 hours = $15,000.

Output-Based Model

Currently, there is a trend for buying organizations to shift risk to a supplier and hold it accountable for achieving results, not just performing a task. To cope with this "risk-shifting" problem, two types of "results"-oriented economic models have emerged. The first is an "output"-based model in which a supplier's payment is typically tied to achievement of predefined measures such as service-level agreements. It is becoming more common for buyers to negotiate predefined efficiency targets as well—such as holding the supplier accountable for a three-percent year-over-year price reduction that assumes the supplier will drive efficiencies. Output-based economic models are associated with performance-based (managed services) agreements. For example, you might pay a supplier $10 for every unit it produces that passes a certain quality level, or only upon successful completion of a milestone (instead of per hours worked). An output-based model drives supplier accountability, but should only be used when the work the supplier is performing is fully under the supplier's control.

Outcome-Based Model

An outcome-based economic model is more sophisticated than an output-based economic model because it ties supplier payment to mutually agreed boundary-spanning business outcomes. To achieve true business outcomes, a buyer and supplier must work together in a highly integrated fashion. There is shared risk and shared reward to achieve the business outcome. For example, DOE's Rocky Flats contract included an incentive for Kaiser-Hill for early closure. There were many risks involved in the project, but the incentive encouraged Kaiser-Hill to work in a highly collaborative and transparent manner as it worked through many tough issues collaboratively.

The business model mapping template includes 11 attributes across four dimensions focused on economic models. By completing the exercise, the mapping helps you answer the questions:

How much potential is there to create mutual advantage by collaborating with a supplier?

What is the nature of the work scope?

What is the criticality of the work?

What are your risk tolerance preferences?

Based on the nature of what is procured, companies will find the business environment and their preferences will lead them to one of the economic models.

As with mapping the relationship model, in some cases your map will be very specific and lead you to one "column." However, in other cases you may find your map indicates a general preference for an overall relational contract. It is okay at this point if your map simply indicates an overall preference for a transactional, output, or outcome-based model, as you will use this as part of Step 4. However, some buyers have seen benefits from assigning a weight factor to the attributes to strengthen the final model decision.

Step 4: Determine the Best Sourcing Business Model

Steps 2 and 3 helped you identify the most appropriate relationship model and economic model. In Step 4, this information is applied to identify which of the seven sourcing business models is most appropriate for your situation. The answer combines both the relationship model and the economic model.

FIGURE 4. BUSINESS MODEL MAP MATRIX

ECONOMIC MODEL	RELATIONSHIP/CONTRACT MODEL		
	Transactional Contract (Market)	**Relational Contract** (Hybrid)	**Investment** (Vertical Integration Hierarchy)
Outcome-Based Economics tied to Boundary Spanning/ Business Outcomes	Mis-Match— Not a Viable Option	Vested	Equity Partner (e.g. Joint Venture, Subsidiary) Vested Shared Services
Output-Based (Performance-Based/Managed Services) Economics tied to Supplier Output	Mis-Match— Not a Viable Option	Performance-Based (Managed serices) Agreement	Equity Partner (e.g. Joint Venture, Subsidiary, Co-Op) Shared Services
Transaction-Based Economics tied to activities drive behavior, e.g., per unit, per hour	Basic Provider Approved Provider	Preferred Provider	Equity Partner (e.g. Joint Venture, Subsidiary) Shared Services

To complete the business model mapping exercise, use the "sourcing business model matrix" (see **FIGURE 4** on page 34), which is a simple 3x3 matrix that has the three relationship models on the vertical axis and the three economic models on the horizontal axis. Determining the best sourcing business model is simply a factor of plotting the relationship model and economic model onto the matrix. For example, if the most appropriate relationship model is a relational contract and the most appropriate economic model is output-based, then the best sourcing business model for your situation is a performance-based sourcing business model.

(It is important to note that investment-based models (i.e., equity partner and shared services) can be developed using any of the three economic models. The key point is that the economics will be structured differently based on the desired economic model.)

CONCLUSION

Dealing with the various sourcing options doesn't have to be complicated. You shouldn't have to fall back on old-school transaction-based methods. Sourcing business models are especially pertinent and extremely viable in today's economic landscape.

The future will be won by those who embrace more sophisticated sourcing business models purposely designed to create value and harness the power of highly collaborative relationships with suppliers that can help drive transformation and innovation in your organization. Today's procurement professionals must embrace and evolve with modern business needs, and more and more this means balancing the seemingly insurmountable, conflicting goals of reducing cost structures and driving innovation.

It's time to resolve struggling supplier relationships, harness supplier innovation, transform operations through strategic outsourcing, and leverage the assets of private entities to get the job done. To do these things, take advantage of all the tools in your sourcing toolkit—including more sophisticated sourcing business models purposely designed to harness the power of output-based and outcome-based approaches.

This means understanding the fundamental differences of each type of sourcing business model and consciously striving to pick the right model for the right environment—ultimately picking the right tool for the right job. CM

ENDNOTES

1. *See* Department of Defense Directive 5001.01 E1.1.16 (May 12, 2003), *available at* www.dtic.mil/whs/directives/corres/pdf/500001p.pdf.
2. *See* "Contract Management: Alternative Delivery Methods," AustinTexas.gov website, *available at* www.austintexas.gov/department/alternative-project-delivery-methods.
3. *See* www.pwc.com/us/en/view/issue-13/the-rise-of-the-public-private-partnership.html#map.
4. "Public-private partnerships: The US perspective," PriceWaterhouseCoopers (June 2010), *available at* www.pwc.com/us/en/capital-projects-infrastructure/publications/assets/public_private_partnerships.pdf.
5. Minnesota Statute 161.3410.
6. For complete details, see Kate Vitasek and Karl Manrodt (with Jeanne Kling); *Vested: How P&G, McDonald's, and Microsoft are Redefining Winning in Business Relationships* (New York: Palgrave Macmillan, 2012): chapter 3.
7. University of Tennessee researchers have studied the I-35 bridge case and dozens of other successful alternative sourcing models in both the public and private sector for more than a decade. The results led to the book, *Strategic Sourcing in the New Economy: Harnessing the Potential of Sourcing Business Models for Modern Procurement* (*available at* www.amazon.com).
8. Nobel laureate Oliver E. Williamson says that "muscular," or power-based transactional approaches in contracting and pricing relationships are "myopic and inefficient," and that "companies not only use their service providers, they use up their service providers." (Oliver E. Williamson, "Outsourcing: Transaction Cost Economics and Supply Chain Management," *Journal of Supply Chain Management* 44.2 (2008): 5–16.)
9. "Contract Negotiations Continue to Undermine Value," International Association of Contracting and Commercial Management, Ninth Annual Top Ten Terms Report (April 2010).
10. For more information on vested outsourcing, see the following books by Kate Vitasek: *Vested Outsourcing: Five Rules That Will Transform Outsourcing; Vested: How P&G, McDonald's, and Microsoft are Redefining Winning in Business Relationships*; *The Vested Outsourcing Manual*; and *Getting to We: Negotiating Agreements for Highly Collaborative Relationships*.
11. See Vitasek and Manrodt, note 6, at chapter 4.
12. As previously mentioned, the concept of relationship models stems from Oliver Williamson's pioneering work that classifies an organization's sourcing needs into three categories: "Market" (transactional sourcing business models), "Hybrid" (relational/hybrid sourcing business models), and "Hierarchical" (investment-based sourcing business models).
13. The Toolkit is available as a free download at www.vestedway.com/tools/.

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