



VESTED For Success Case Study

Transforming Healthcare Outsourcing: How
Vancouver Coastal Health Used Vested to
Drive Innovation in Outsourcing

A Report Authored By: Kate Vitasek, Jeanne Kling, and Bonnie Keith



What do you do when your outsourcing arrangement isn't working well? You know you want change, but you're not sure what kind of change, and have very little time to figure it out. It's a conundrum shared by procurement specialists across the world as technology and market pressures pose unprecedented demands.

Vancouver Coastal Health and Providence Health Care's housekeeping contracts were up for renewal. Past efforts were filled with good intentions but less than sterling results. The outsourcing relationships were ok, but shaky. In essence – the contracts virtually pitted the suppliers against the users of services.

The tensions were not limited to management. Folks on the front lines had their own frustrations. Cindy Elliot, a registered nurse who works in the Providence Health Care as a Practice Consultant puts it simply, "The lawyers and C-Suite folks have their own concerns. What we care about is simple – how clean is our place? If there's a spill, how long will it take to get it cleaned up? I could be standing in the middle of a spill that had been there for four days. I would call management to ask when it would get cleaned up. They'd check their files and tell me the supplier took care of it yesterday. I WAS STANDING IN THE MIDDLE OF THE SPILL THAT WAS STILL THERE!"

These days, Cindy is much happier. "Now, I just go directly to a Compass team member and it gets done." Management is happier as well. The agreement forged between VCH and Compass is built around a "What's in it for We" culture (as opposed to What's In It for Me). Every level of operation enjoys clear communication and candid conversation. Problems are solved collaboratively. And, most importantly, Compass employees are recognized as individuals playing on the same clinical team. Their tools of the trade – brooms, mops, cloths, nontoxic chemicals – are as important as syringes and catheters when it comes to the goal of maintaining a clean, safe environment and reduce hospital acquired infections.

How did that turnaround happen? How is the new contract so different from the past? The answer is rooted in courageous leadership and radical new thinking.

INNOVATION IS KEY

A progressive Board of Directors lays the foundation for innovation by hiring leaders that not only understand a culture of innovation, but infuse the organization with discipline and rigor to deliver innovation. Both CEO Mary Ackenhusen – President of VCH since 2014 – and CFO Glen Copping have industrial engineering educations and come to the bureaucracy of health care with solid business backgrounds. Looking outside the traditional executive candidate pool provides the inventive edge the Board is looking for.

Copping, whose history is in the rapidly evolving high tech industry, concurs with the Board's focus on innovation. "The riskiest thing you can do is stand still and not change. Our challenge is to find ways to do it without risking sinking the ship." Mary Ackenhusen believes strongly that VCH health care can only be sustainable through innovation. In fact, Ackenhusen specifies the official organization approach to innovation in two key behavioral requirements for all VCH leaders:

- You challenge the status quo to improve quality and sustainability.
- You take smart risks and make tough decisions without agonizing.

The responsibility to bring innovative thinking to the outsourcing of services for the Lower Mainland Consolidation¹ belongs to David Handley, VCH Vice-president of Business Partnerships.

¹ Vancouver Coastal Health (VCH), Providence Health Care (PHC), Fraser Health Authority (FHA), and Provincial Health Services Authority (PHSA)



David leads the Lower Mainland Business Initiatives and Support Services (BISS), which provides a portfolio of support services for the LMC including food services, environmental services (EVS), formerly known as comprehensive cleaning and housekeeping services, laundry and linen services, and waste services.

When it was time for outsourcing contract renewal, the BISS team was determined to give more than lip service to the idea of change. They wanted to create an Environmental Services solution that represented real transformation – that moved beyond simply hiring housekeepers who cleaned to establishing authentic partnerships designed to drive innovation in environmental services. Simply put, Handley and his BISS team wanted VCH to think and act differently. And he established the process to find the right partner by doing things differently himself.

The BISS team held pre-bid meetings with three large service providers to pick their collective brains and experience regarding what they believed best practices could be applied to make a new outsourcing contract more effective. This was highly unusual – talking face-to-face with potential suppliers was not something normally done.

One of the ideas that emerged from the pre-bid meetings was consideration of a radically different approach to outsourcing. Called Vested®, the outsourcing solution offered a deeply researched, disciplined path to achieve the principles David Handley and his team was committed to achieving – things like innovation, collaboration, and accountability. “What appealed to me,” David relates, “was the logic and simplicity of how the Vested rules worked together to form a systems approach to create a flexible – yet sustainable – outsourcing relationship.”

Handley hand picked a leadership team to work on the sourcing initiative - Kremena Daskalova and Sandeep Mann - and located them in an office next to his. The location enabled the team to function independently – to “put ideas onto the white board and think creatively without worrying about other folks’ responses or critiques.” The team was in a learning process and needed the freedom to make mistakes as well as come up with good ideas.

To challenge themselves, the small team began to ask themselves tough questions. The most enlightening of all questions? If VCH entered into a new way of thinking, what’s the worst that could happen?

CHANGE THE PROCESS, CHANGE THE RESULT

BISS created a bidding environment to purposefully engage give and take dialogue with suppliers. The approach allowed suppliers to engage in ways never experienced before. Leta Hill, a vice-president of Compass, shares a supplier’s perspective. “The process was different from the onset. There was a high degree of interaction with stakeholders that created much more collaboration. We ended up crafting solutions that looked very different from those we anticipated. The stakeholders had validated areas to focus. We found out what was really important. The approach led us to change our focus from “housekeeping” responsible for clean floors and bathrooms to one where we were part of the clinical team responsible for reducing hospital acquired infections and reducing wait time for beds.”

The collaborative and transparent process challenged proponents to bring their best thinking – and people – to the table. Mary Morrison, Vice President Strategic Market Development Compass Group Canada, explains, “Our biggest benefit was absolutely hearing the stakeholders...having unbridled conversation...getting out of RFP language and company fluff and their process.

We could ask why something was important to them and what were the deal breakers. We needed to hear from the people who really felt the impact of service.” “We looked through an entirely different lens, said Patrick Prevost, President of Compass’ Crothall Health Care Canada. “We quickly realized most important insights were coming from the direct stakeholder communication. Instead of measuring spaces and noting the age of tile, we watched for points of pain – where we could focus on the customer.”



Just as active Compass participants were seeing the value of the collaborative process and candid conversations, key stakeholders were also gaining appreciation for the new approach. Cindy Hill remembers, “I came to the realization I didn’t appreciate the importance of our supplier relationships. There was a gap in our existing supplier relationships in how we interacted; senior level people didn’t seem to know what the real issues were. Did we do a good enough job telling them? What are we doing that is making the supplier’s job harder? How much did Providence share in the problem? I came to a totally different view of what had been a master servant relationship that could not remain so.”

VESTED: KEEPING IT REAL

Ultimately, the Vested mindset became reality within the signed contract between VCH and Compass. But, what does that mean to front line staff? To patients and visitors? What does it mean to the future?

The answer is straightforward. The contract creates a different kind of working relationship. The different working relationship leads to a positive, flexible environment that inspires innovation and adaptability. It starts with a Shared Vision –

Patient and Resident focused Environmental Services that are of the highest quality and reliability. Our commitment to collaboration, innovation, and shared governance drives value and create an exceptional healthcare environment for all.

The Shared Vision aligns the parties toward a common goal and transcends the self-interests of each individual party. It also focuses the parties on driving the transformation of the business forward, as the healthcare environment evolves.

The agreement also includes expectations for behavior. A few examples include:

- **Perspective:** A harmonious working relationship that features respect, consideration, and appreciation of the other party on all matters and questions that arise, even in the face of differing views
- **Trust and Confidence:** Do what we say we will do – No empty promises as well as “no-blame” joint problem solving.
- **Flexibility:** A resource model that is responsive to changing demands, both predictable and unpredictable.
- **Focus:** The Shared Vision is the primary focus to establish work priorities and reinforce that both parties’ staff recognize they are part of the “care experience”.
- **Feedback:** Continuous communication that keeps each other on track. Expectation to be candid with each other in the pursuit of ongoing good relations.

Including things like a shared vision and expected behaviors are not the usual fare of legal contracts. But they are part and parcel of how VCH and Compass come together to do business. Their agreement moves beyond a typical outsourcing arrangement – often referred to as parent/child or master/servant relationship – to a codependent partnership that is committed to achieve five specific Desired Outcomes.

- Cleanliness that inspires confidence in our healthcare environment”
- To generate an increase in capacity to meet fluctuations in demand
- Maximize our contribution to the continuous reduction of health care acquired infections
- To become the leading model for a collaborative and innovative Environmental Services healthcare relationship
- Reduce total cost of ownership.

These Desired Outcomes, in essence, become the path to achieve the Shared Vision. The entire agreement is architected with the intent to create a win-win contract to drive collaboration to achieve these stated goals.



FOLLOWING THE RULES

The VCH – Compass agreement carefully follows the University of Tennessee’s research promoting the inclusion of five key “rules” for a successful Vested agreement. Vested® is a progressive approach developed by the University of Tennessee to create highly collaborative win-win contracts. It is essential to know and follow these rules in order to maintain the best intentions of the parties. Doing so sets the stage for parties to take their outsourcing relationships to the next level of collaboration and value.

Rule 1. Outcome-based vs. transaction-based business model: A Vested agreement shifts the business model from one that pays for specific actions to one that focuses on outcomes.

Rule 2. Focus on the WHAT, not the HOW: BISS replaced the use of a highly prescriptive Statement of Work with a jointly developed workload allocation that could guide Compass actions and drive accountability, but not decree exact behaviors.

Rule 3. Clearly defined and measurable Desired Outcomes: A key goal for VCH and Compass is to define ways to make measurement of the Desired Outcomes come to life. The Joint Rounding Initiative is a perfect example of the new mindset. The idea of the VCH site manager taking a weekly walk-around with the Compass site manager to visually assess and confer about the area is unprecedented cooperation. Under the new contract, the managers analyze and solve problems together. Critical decisions are made at the point of contact, not through a formal chain of command.

Rule 4. Pricing model with incentives to optimize the business: The Vested methodology intentionally does not focus on *pricing*; rather it requires a *pricing model* with incentives designed to reward the supplier for achieving success against the Desired Outcomes.

Rule 5. Insight vs. oversight governance structure: Rules 1-4 help VCH and Compass get to a fair agreement. Rule 5 is designed to keep the organizations in harmony and economic equilibrium over the duration of the agreement. After all, business happens and it is imperative that the organizations adopt a strong governance structure that embraces the dynamic nature of business needs.

The governance framework has four key elements that are designed with the intent that VCH does not “manage” Compass – but rather it manages the environmental services needs **with** Compass over the life of the contract. The four elements are: relationship management, innovation/change management, exit management, and compliance to regulatory and VCH specific business requirements such as privacy concerns. The strategy drives innovation.

VCH and Compass employ a “2 in a Box” peer-to-peer governance structure to foster decision making, encourage timely issue resolution at the lowest possible levels, and drive consensus on implementing changes in their transformation initiatives. The peer-to-peer relationships prove valuable in ensuring the companies stay in alignment.

RESULTS

David Handley staunchly believed the first order of business was picking the right partner. Compass proved itself to be the most compatible, and enthusiastically joined VCH creation of a radically different approach to what traditionally was referred to as housekeeping. The entire scope of the contract was changed from “comprehensive cleaning and housekeeping” to “environmental services (EVS).” Compass became a partner for bringing innovations to infection control.”

The contract clearly states that change and innovation are fundamental to the relationship. One early win for innovation was a new reporting process the Health Authority uses to report such things like patient admittance, transfers, and discharges.



The reporting process did not recognize transfers that did not require intervention. Say, a patient would be taken to X-ray. The patient would only be gone a short time; there really was no necessity for cleaning the entire room. However, Compass had no way to know that. It would receive the transfer message, and taking no chances, immediately dispatch staff to clean the room. It was unnecessary, duplicative, and costly for Compass. Now, the system informs Compass of the anticipated time the patient will be gone from the room. When the patient is gone for a long period of time, EVS can access the room for a really deep clean - improving the odds of lower hospital infections. When absence is a short duration, it is unnecessary to service the room outside the normal schedule. This common sense approach means both cleaner rooms and money saved.

What's more, the VCH/Compass relationship makes a difference to individuals. Rod Smith, Director of Change Management for Compass, explains, "This whole experience gives people purpose – they see their job is to provide a clean and safe environment so patients can get well and go home to their families. Workers feel respected and actually perform to higher standards. This is especially important in our country of immigrants. You never know who stands next to you. That person who speaks little English may be a highly educated engineer or college professor in her native land. When we honor her contribution, there is a very powerful outcome. If you could quantify that, we would be millionaires."

The VCH quest for innovation resulted in a first of the kind for the Canadian government – a public/private Vested relationship between VCH and Compass. The contract seeks to achieve Mutual Desired Outcomes, developed collaboratively by VCH and Compass, with the purpose to drive innovation in Environmental Services for VCH. The contract denotes more than cleaning – it seeks innovation in infection control and bed turn-around times – both of which will benefit Canadian citizens with lower costs and higher levels of effectiveness.

Mary Ackenhusen reminds us of her personal leadership style. "I spend a lot of time getting the right people in place. It's not good enough to be competent but they must have the right values. It must be the right fit. What David and his team have done is take this philosophy a step further – beyond our walls to our most valuable supplier partners – as we seek more than competency but also cultural and values compatibility.

As for David Handley, it is summed up with a smile and one simple thought.

Make the Art of the Impossible a Daily Occurrence.

TRANSFORMING HEALTHCARE OUTSOURCING

How VCH Used Vested Outsourcing to Drive Innovation in Outsourcing



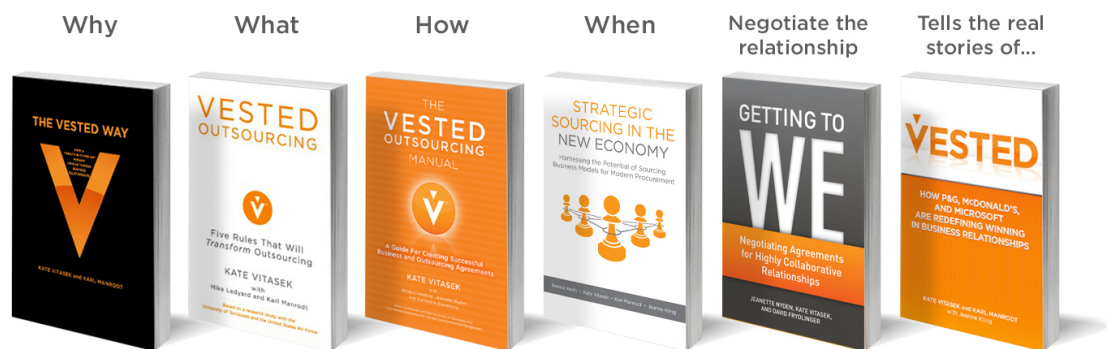
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FOR MORE INFORMATION

Visit the University of Tennessee's website dedicated to Vested Outsourcing at www.vestedway.com where you can download white papers, watch videos, read articles and subscribe to our Vested Outsourcing blog or register for our online or onsite Vested Outsourcing classes.

We encourage you to read our 6 books on the topic of Vested, which can be found at www.vestedway.com/books



ABOUT THE AUTHORS

Kate Vitasek is one of the world's authorities on highly collaborative win-win relationships for her award-winning research and Vested® business model. Author of six books and a Graduate and Executive Education faculty member at the University of Tennessee Haslam College of Business, she has been lauded by World Trade Magazine as one of the “Fabulous 50+1” most influential people impacting global commerce. Vitasek is a contributor for Forbes magazine and has been featured on CNN International, Bloomberg, NPR and Fox Business News.

Bonnie Keith is the author of Strategic Sourcing in the New Economy: Harnessing the Potential of Sourcing Business Models for Modern Procurement. She is President of The Forefront Group, LLC, an international leader in Strategic Sourcing Transformation concepts. Bonnie's business experience includes Corporate Executive and Officer positions for three Fortune 100 companies and two Fortune 500 companies where she provided international, successful procurement and supply management strategies. Keith served as a member of the White House Advisory Counsel for the Pharmaceutical Industry.

Jeanne Kling is a Research Associate with the Vested team at the University of Tennessee. She has co-authored numerous Vested case studies and two Vested books. Her passion for education runs deep, having been elected to public office three times, including serving as the President of the Minnesota State Board of Education and serving as the Chair of the National Association of State Boards of Education. The Business and Professional Women Association named her “Minnesota Business Woman of the Year.”