



# Today's Win-Win Approaches for Technology and Outsourcing Contracting

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# A G E N D A

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WHAT'S A  
WIN-WIN?

02

WHY PURSUE  
WIN-WINS NOW?

03

WHAT DO YOU  
NEED TO DO FOR  
WIN-WINS?

04

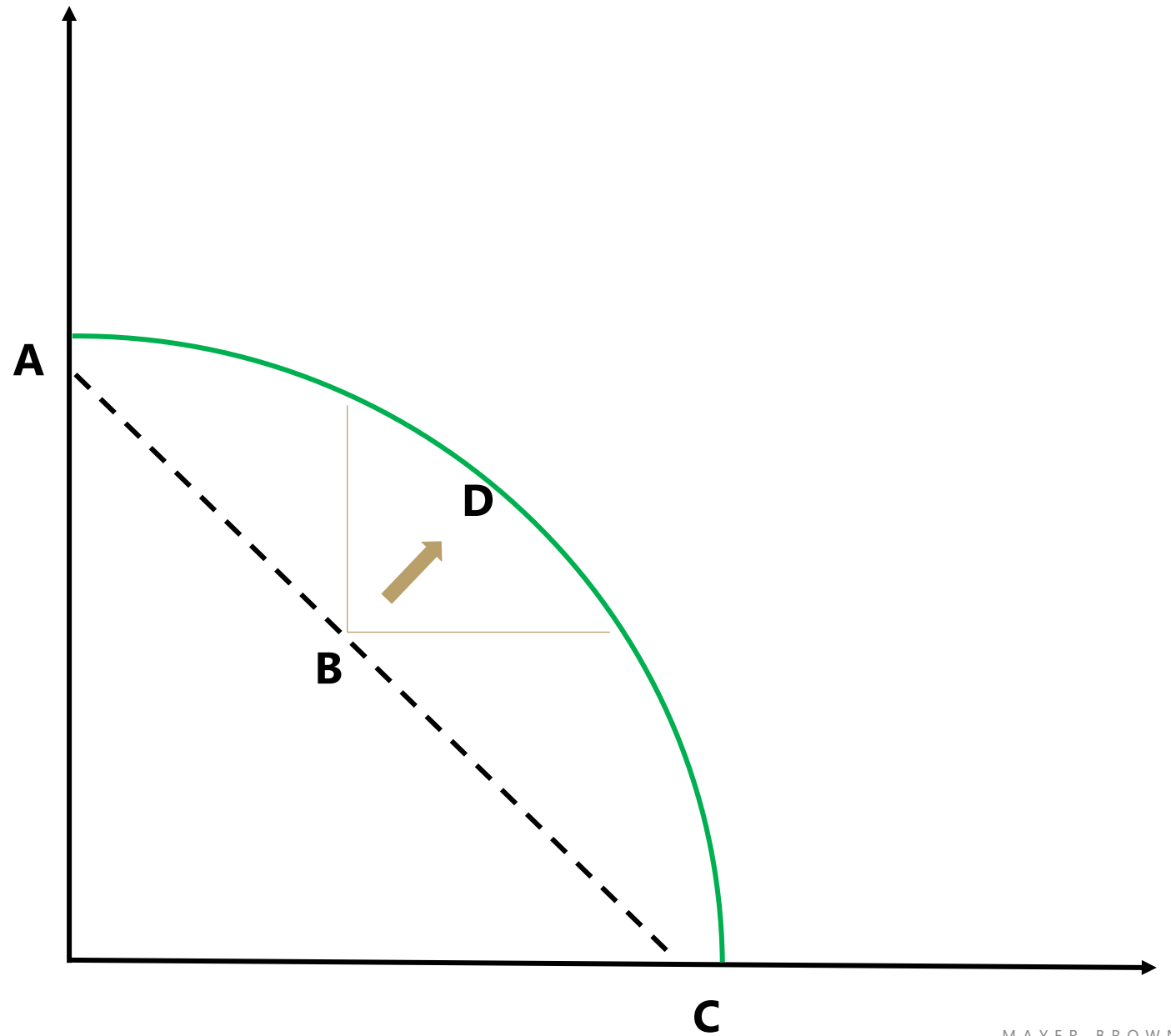
EXAMPLES



01

WHAT'S A WIN-WIN?

# WIN-WIN NEGOTIATION





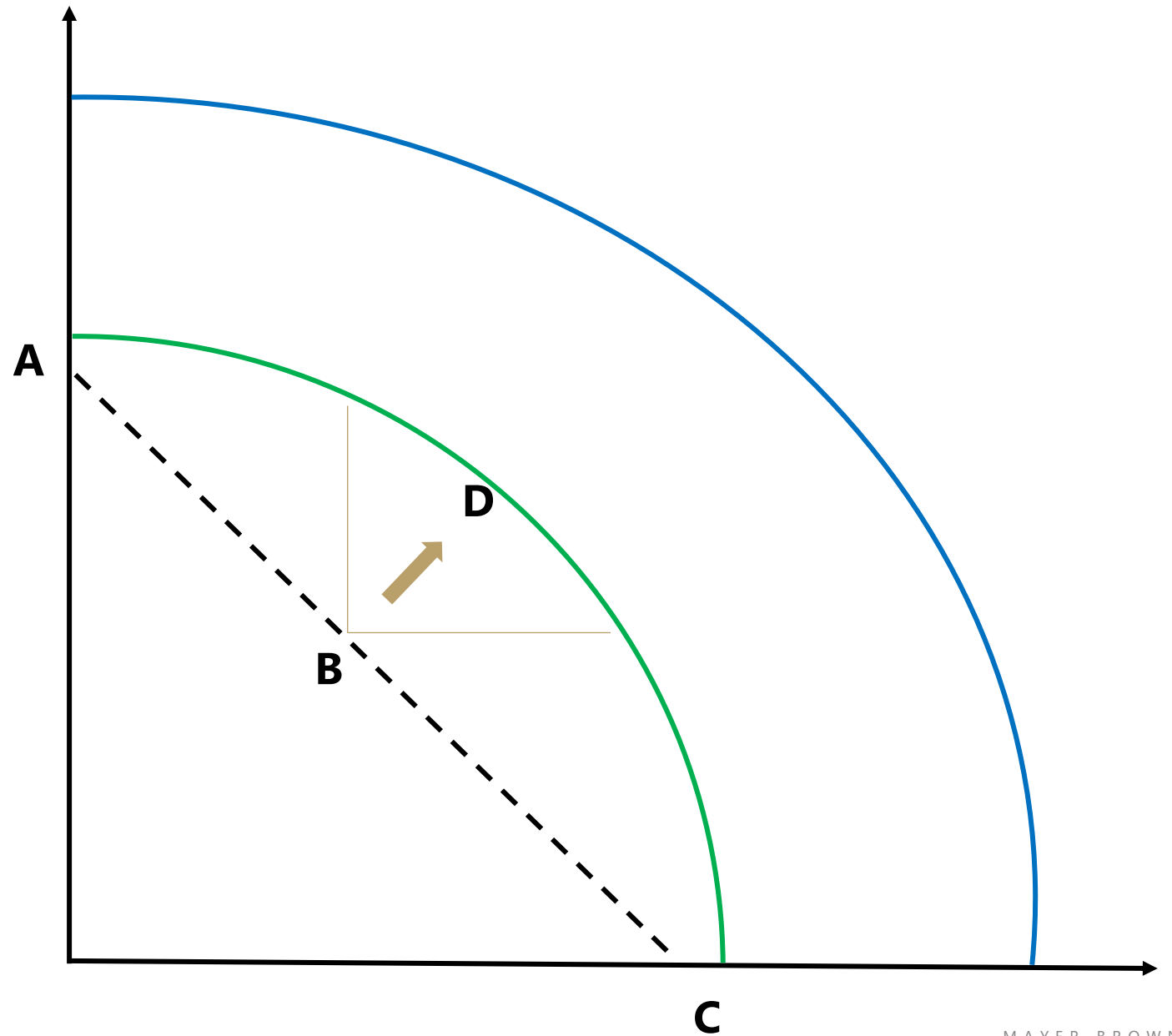
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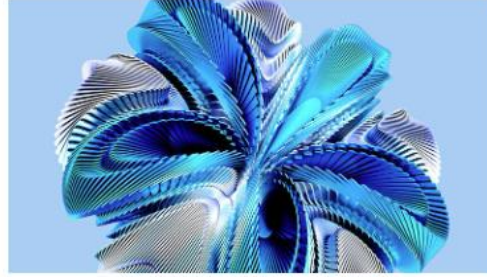
WHY PURSUE WIN-WINS NOW?

## TECHNOLOGY INNOVATION DRIVES DEAL STRUCTURE INNOVATION

NEW TECHNOLOGY	NEW DEAL STRUCTURES
Mainframes	Software development and data center outsourcing
Midrange and microcomputers	Software licensing and end user support outsourcing
Copper wire networks and Internet	ERP and business process outsourcing (BPO)
Undersea fiber optic networks	Offshore outsourcing
Grid computing and virtualization	Cloud ("aaS"), platforms, and the Internet of Things

INNOVATION  
CAN INCREASE  
VALUE FOR  
BOTH PARTIES





Interview

## **An AI platform tailored for the enterprise >**

*August 27, 2024* - Aidan Gomez, CEO and cofounder of Cohere, discusses its business-only focus, its platform's ability to securely deploy in any environment, and the challenges companies face in adopting AI.

Article

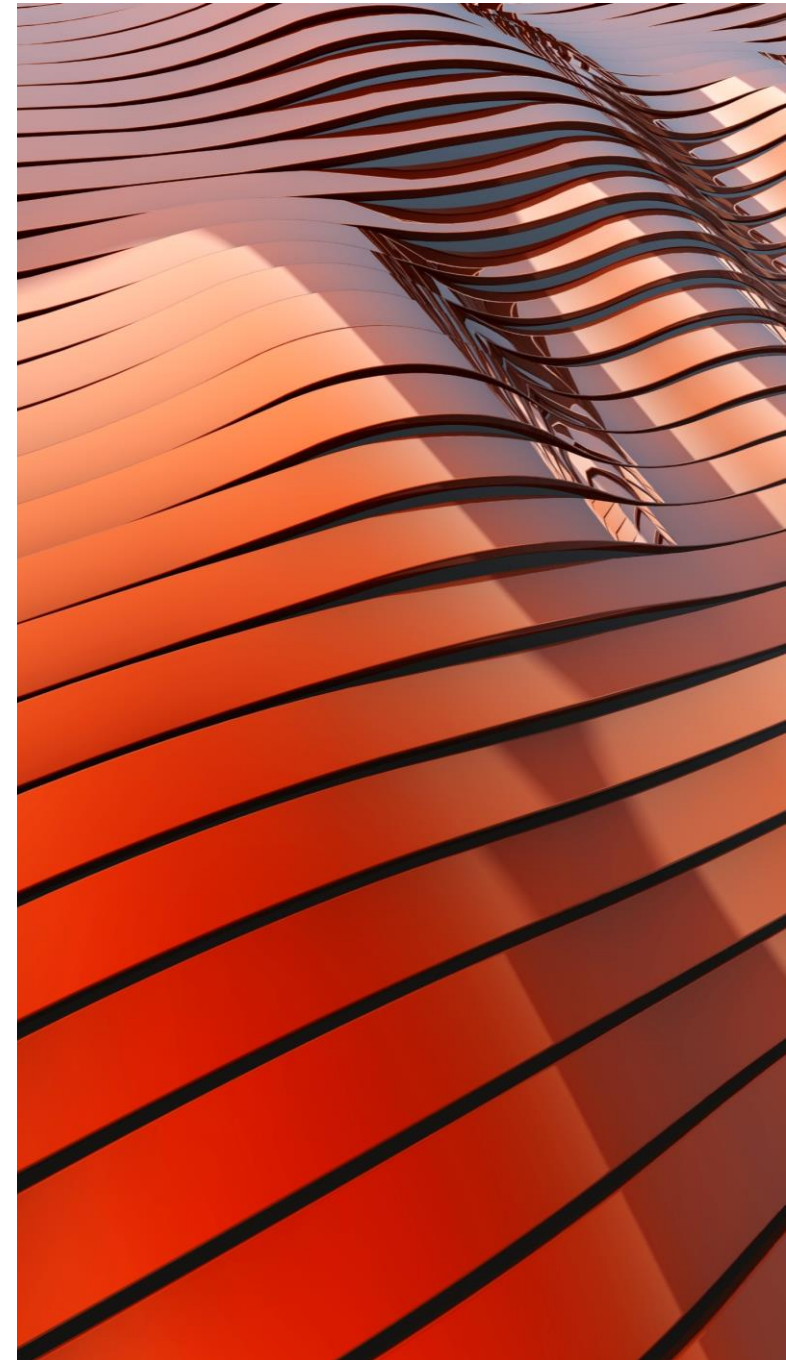
## **From promising to productive: Real results from gen AI in services >**

*August 16, 2024* - Service organizations that are early generative AI adopters are finding that to capture more value, they need to get more disciplined.

Survey

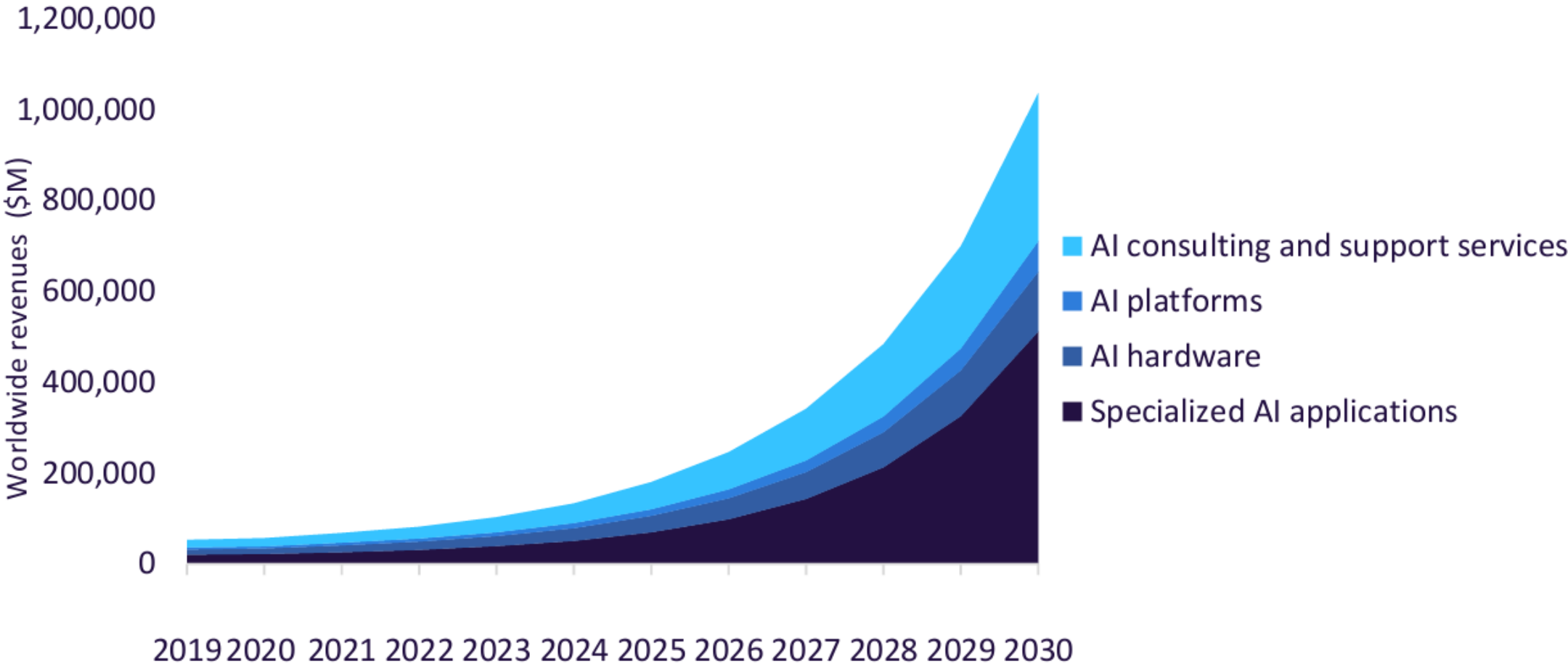
## **Gen AI's next inflection point: From employee experimentation to organizational transformation >**

*August 7, 2024* - As many employees adopt generative AI at work, companies struggle to follow suit. To capture value from current momentum, businesses must transform their processes, structures, and approach to talent.





### Global AI revenue by product 2019-2030

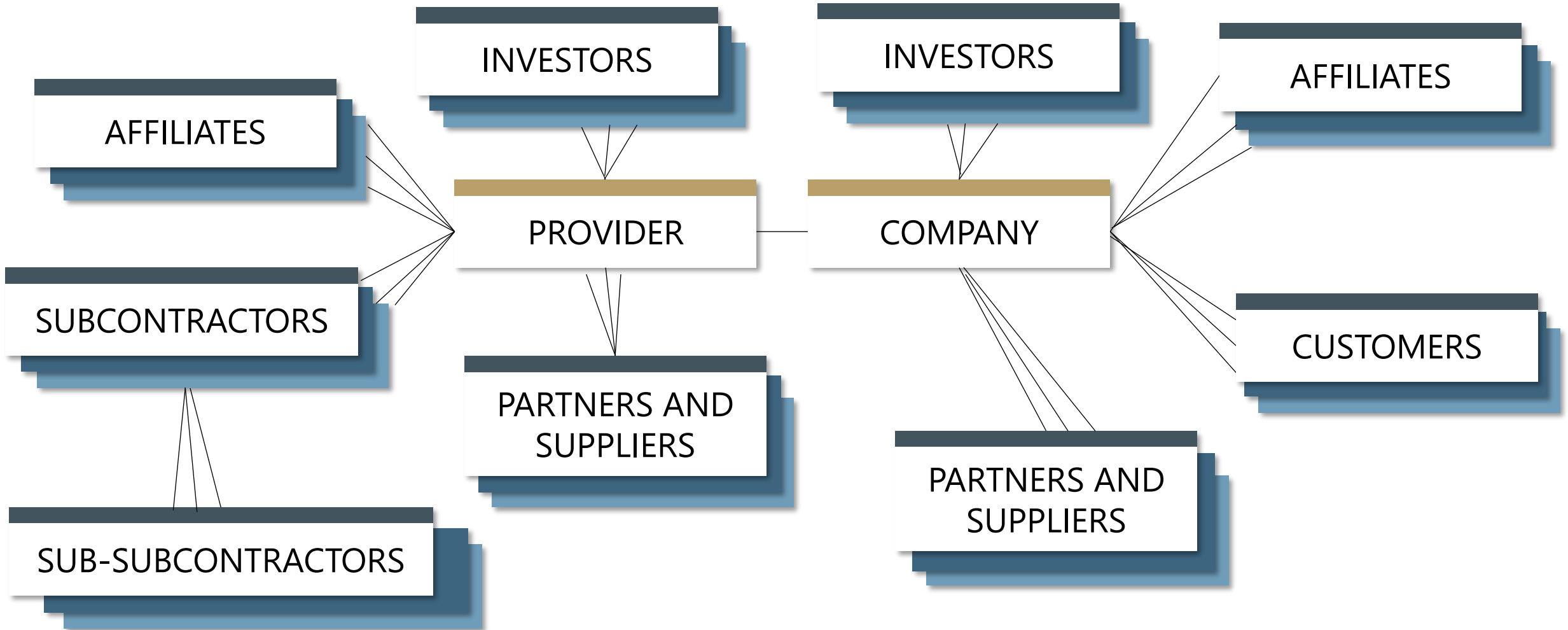




03

WHAT DO YOU NEED TO DO FOR WIN-WINS?

# WIN NOT JUST FOR THE PARTIES BUT FOR RELATED ENTITIES

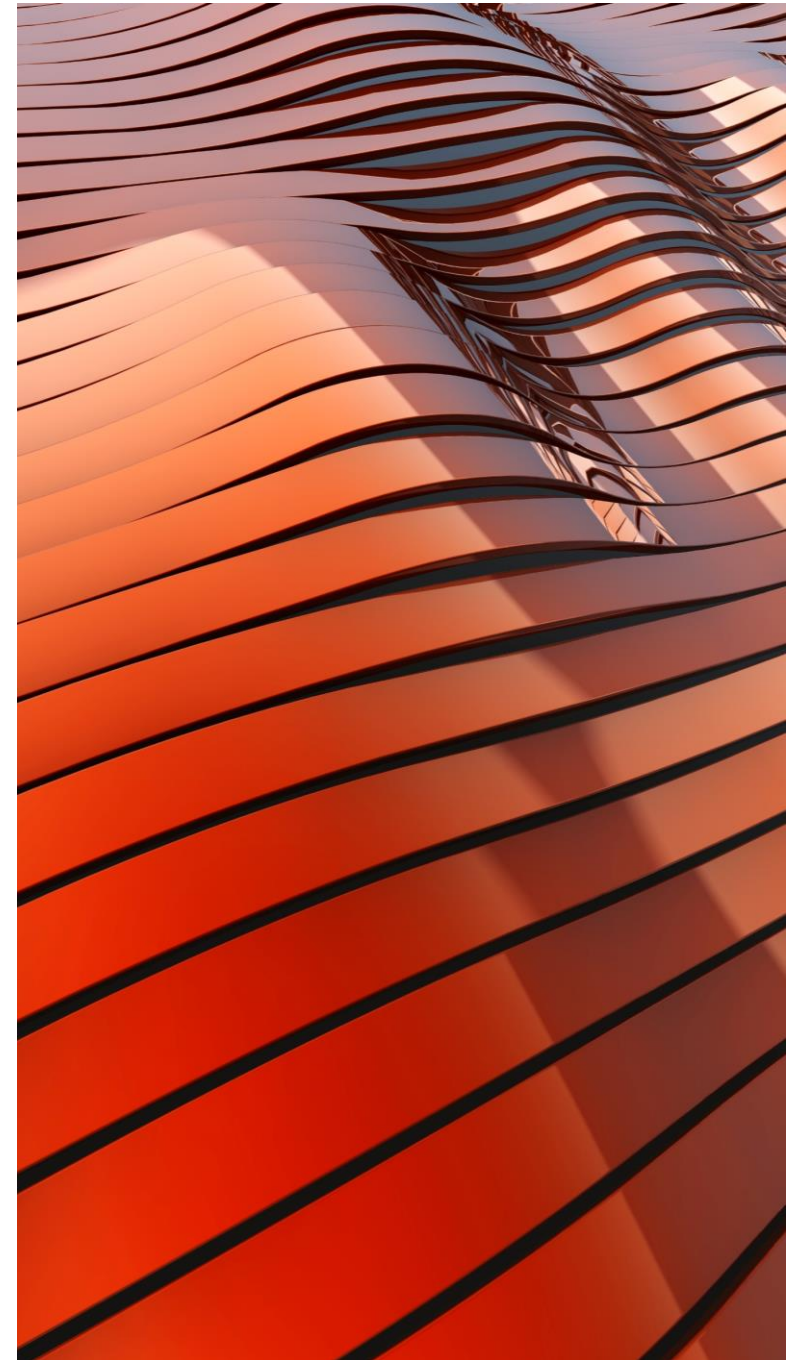


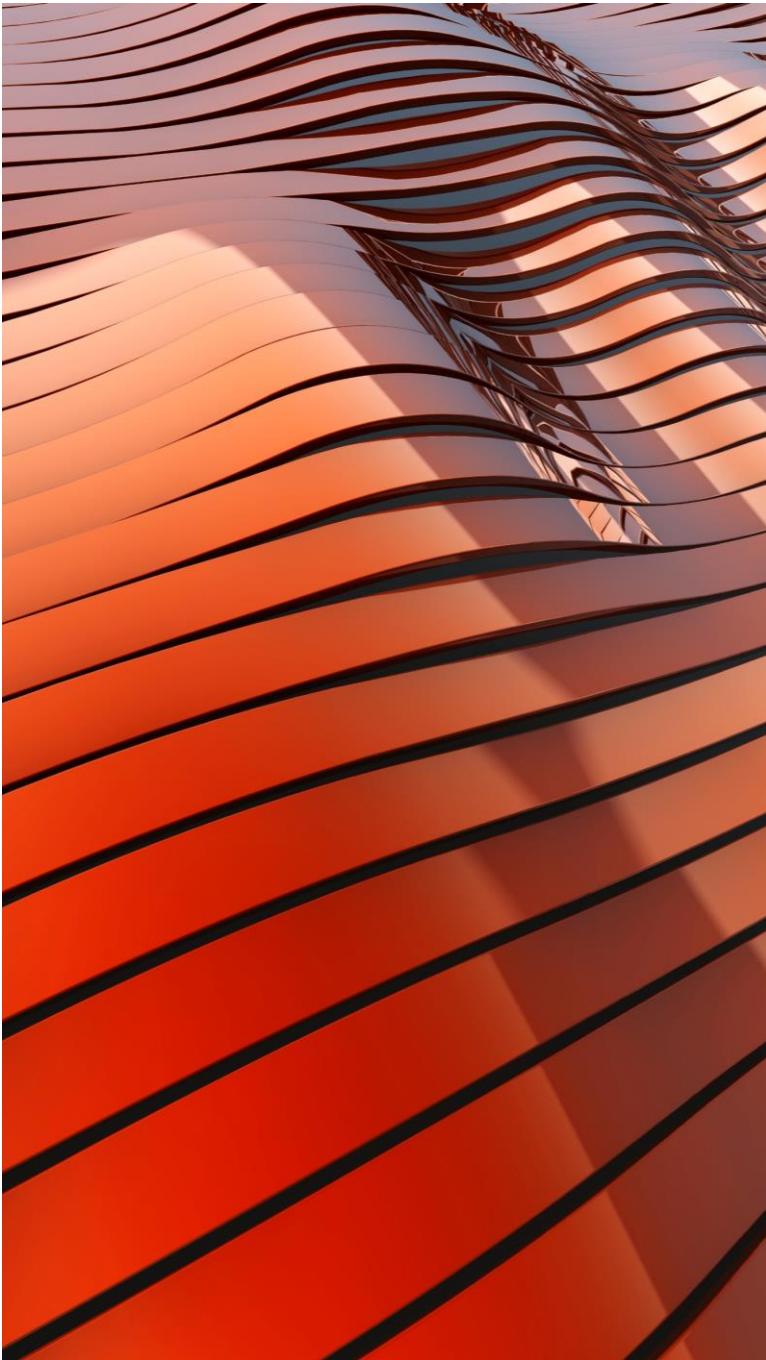
WIN NOT JUST  
FOR ENTITIES  
BUT FOR  
STAKEHOLDERS



## CONTINUED WIN-WIN OVER THE LONG TERM

- Capitalizing on new opportunities
- Resilience with unexpected misfortune





## TRUST, BUILT WITH CIVILITY

- Seek the bigger picture
- Meet face-to-face
- Actively listen
- Invest in the little things
- Seek opportunities to concede
- See civility as a sign of strength

*See Civil Contract Negotiations for Relationship Success by  
Spencer Glende and Ellie Bradley*

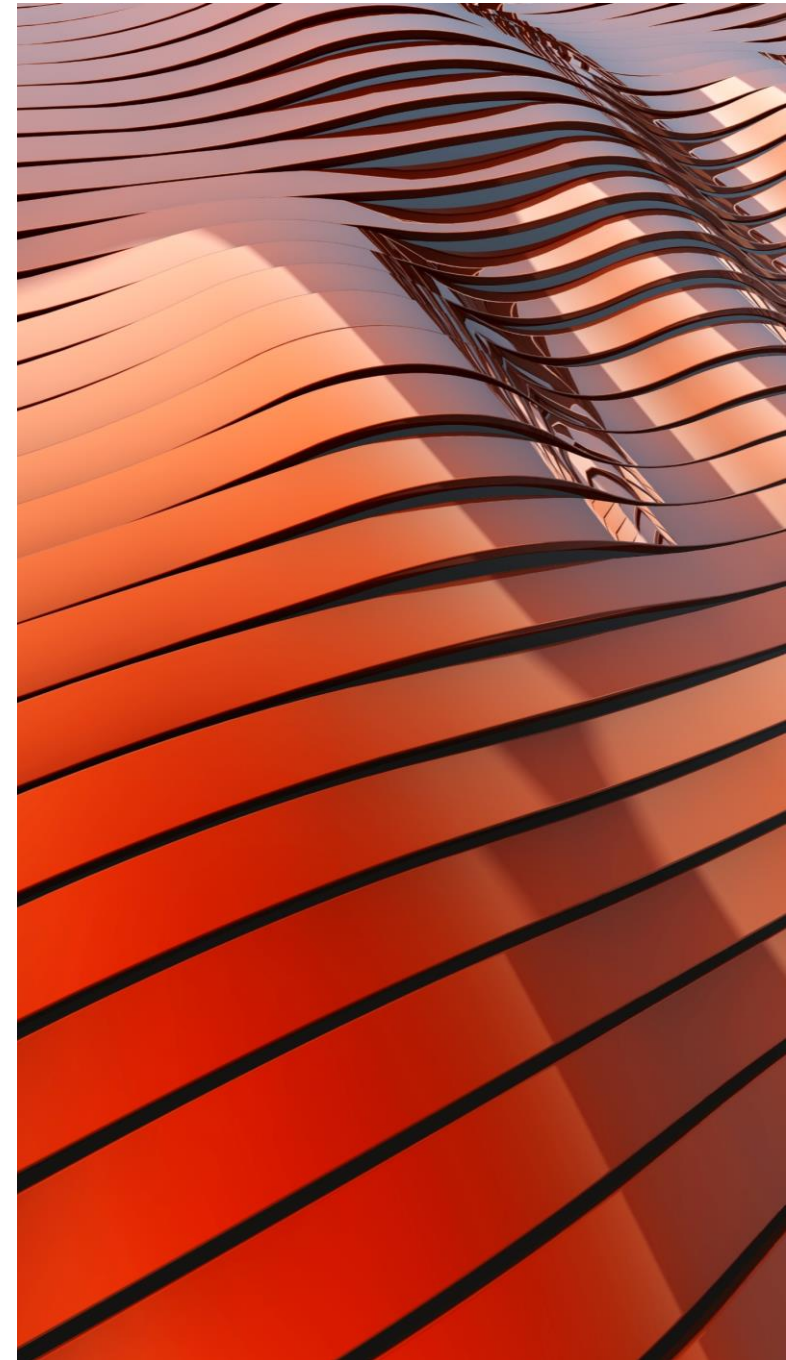
The background features a complex, abstract design. It consists of numerous thin, dark, wavy lines that create a sense of depth and movement. These lines are set against a background of a grid pattern, where the grid cells are shaded in various tones of brown and grey, giving it a three-dimensional appearance. Two thin, vertical white lines intersect the center of the page, one above and one below the text.

04

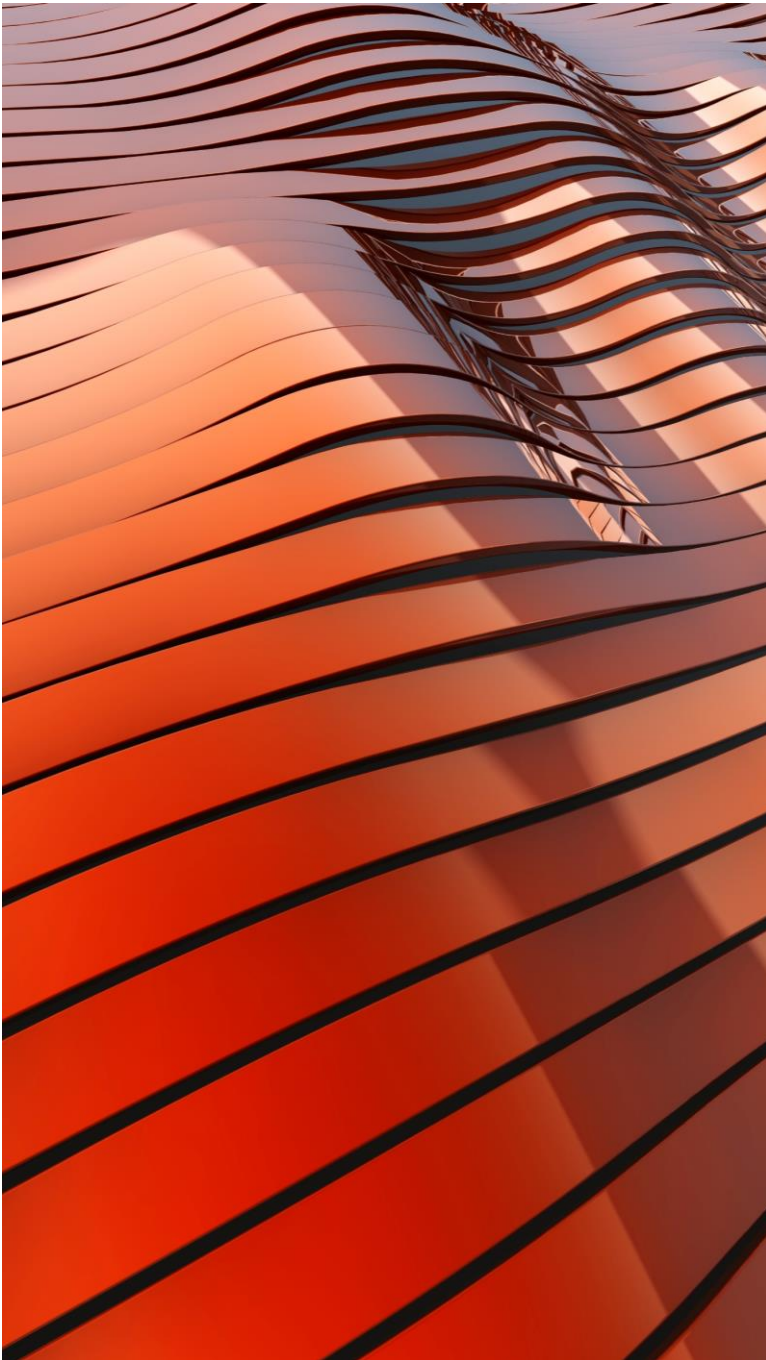
EXAMPLES

## EXAMPLES FROM MANAGED SERVICES OUTSOURCING

- Providers can use AI to digitally transform internal functions
- Result can be better, faster, cheaper, safer services
- But:
  - These opportunities require long-term collaboration
  - Traditional outsourcing pricing mechanisms don't encourage collaboration *because they don't share the benefits and risks of collaboration*
  - Simple "spirit" clauses have limited effect
- What follows are three levels of win-win compromises that are working in the market to improve alignment for innovation.







## LEVEL ONE: SUPPLIER “OWNS” THE INNOVATION OPPORTUNITY

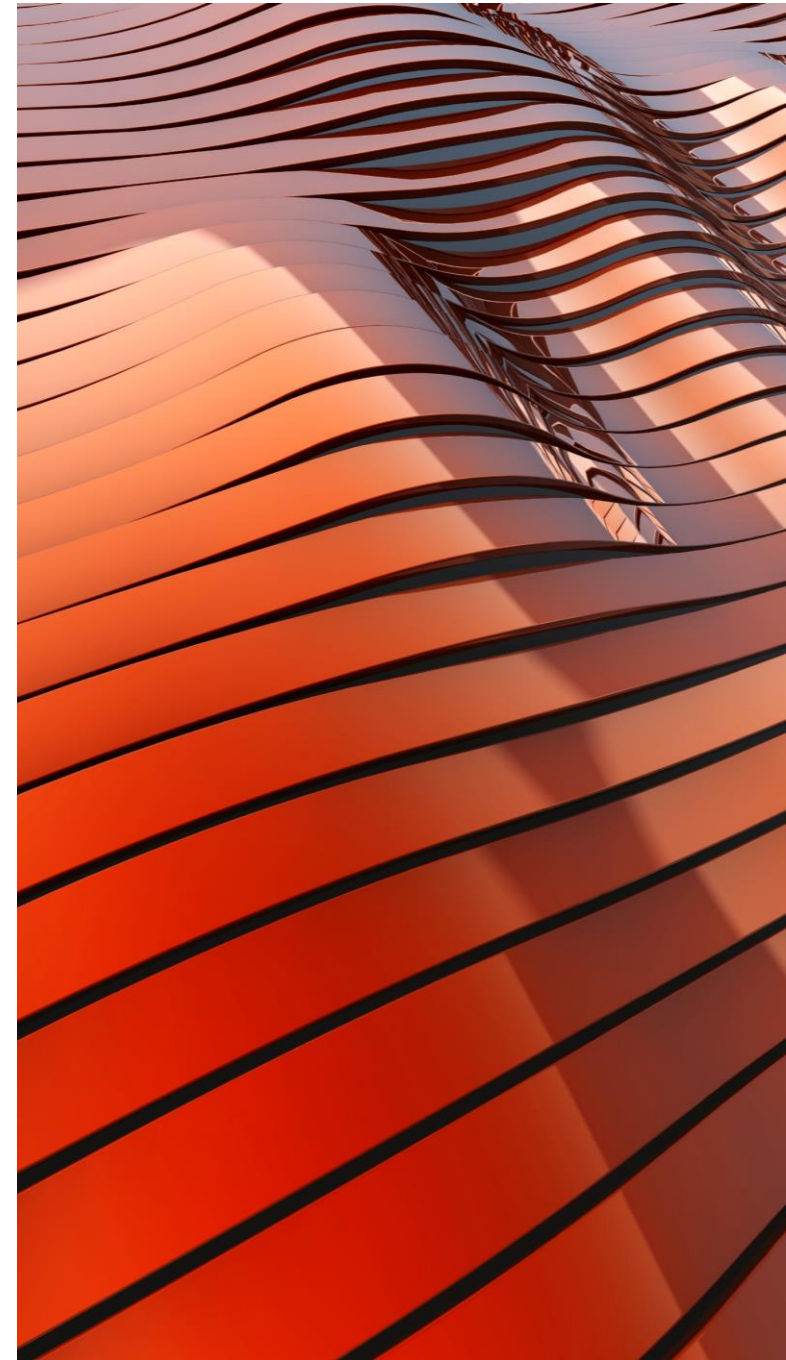
- Charges based on work completed, not efforts or other inputs
- Supplier “owns” automation during the term:
  - Right to automate at its cost but
  - Responsibility to provide (and maintain) a full replacement
- Company agrees to support supplier’s automation, including by changing its own people, processes and technology within limits.
- Performance standards designed for human labor or digital labor
- Exit rights allow Company to take ownership of automated processes

*By having a single “owner” for an innovation opportunity, this deal structure facilitates efficient and effective investments in transforming service delivery. The win-win is in reducing cost for both parties.*

## LEVEL TWO: PAY FOR INNOVATION

- Supplier “owns” the AI automation opportunity as in Level One.
- Contract defines:
  - How the parties will measure units of quality, speed and safety
  - What the company will pay for each unit of quality, speed or risk reduction
  - What fee reductions will apply if the work becomes worse, slower or otherwise harmful to the company
  - Termination charges or other pricing if, after the supplier has invested in the innovation, the company decides not to use it

*This approach requires the company to place a specific value on specific benefits of innovation. The win-win is in creating an efficient incentive to innovate beyond cost.*





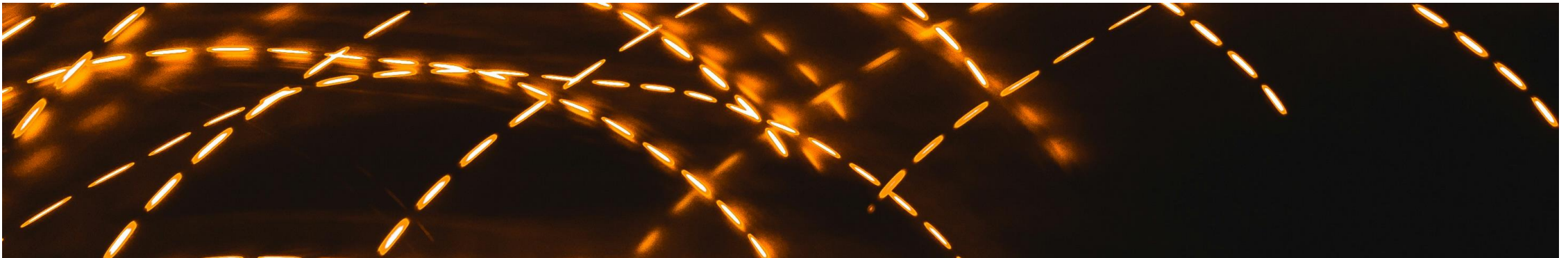
## LEVEL THREE: PARTNER FOR INNOVATION

- By “partnering,” we mean sharing the risks and rewards of a shared endeavor within a commercial contract (and not a legal partnership)
- Compensate on true “outcome” metrics like revenue or CSAT
- Company agrees to take on meaningful substantive work, like:
  - Making data from legacy systems more available
  - Marketing supplier’s new capabilities
- Pricing rewards company for delivering on its obligations.

*The “Level 3” approach leverages the innovative capabilities of both parties. The win-win is in improving both the company’s business results and the revenue to the supplier.*

## SUMMARY

- New win-win deal structures maximize value on new technologies
- For today's AI technologies, examples include:
  - A single owner for costs, decision rights and benefits
  - Compensation tied directly to value provided
  - Both parties agreeing to invest and innovate
- These and other models can help companies and their suppliers work more effectively together to maximize value and avoid costly pitfalls in today's changing business environment





Questions?