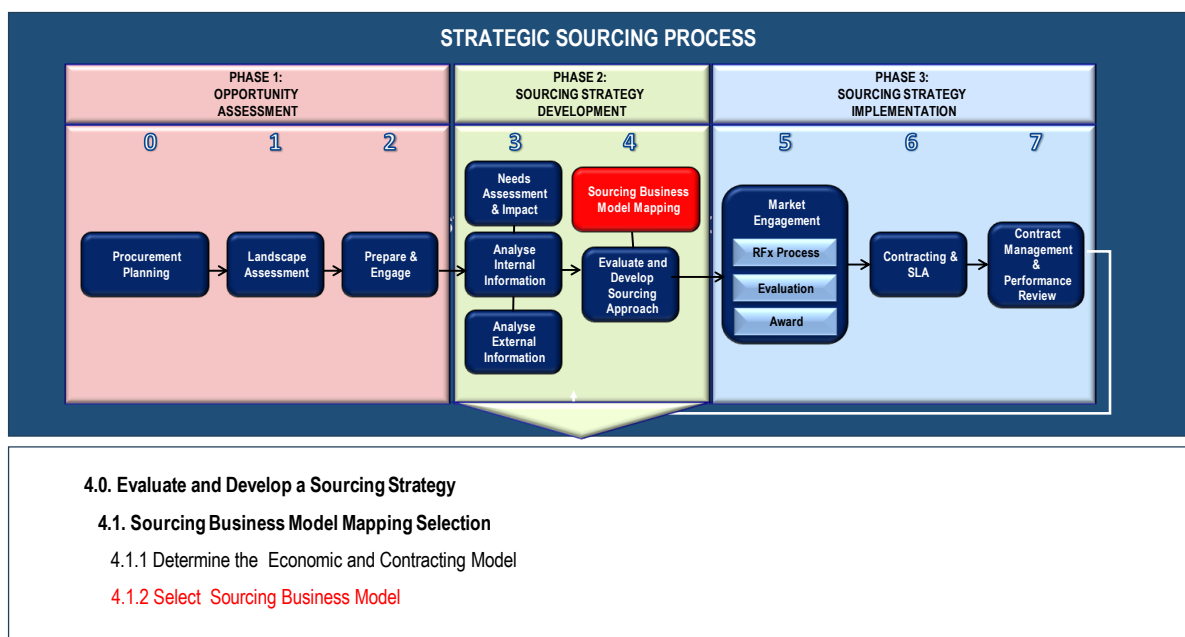


**Using this guide**

This guide accompanies the National Treasury's Strategic Procurement Framework (SPF) for Strategic Sourcing in the Public Sector. For more information, visit the National Treasury website at <http://ocpo.treasury.gov.za/>  
The SPF can be found here:  
[http://ocpo.treasury.gov.za/Resource\\_Centre/Documents/1A.%20Strategic%20Procurement%20Framework.pdf](http://ocpo.treasury.gov.za/Resource_Centre/Documents/1A.%20Strategic%20Procurement%20Framework.pdf)

**SELECTING SOURCING BUSINESS MODEL**



**1.0 Introduction**

- i. The selection of the sourcing business model is a critical task that can be done as a facilitated workshop or strategy meeting with all the key stakeholders present.
- ii. The stakeholders are encouraged to debate, justify and interrogate to reach the most appropriate consensus for both the relationship and economic models.
- iii. The cross-functional sourcing teams (CFST) should complete the mapping individually and compare the outcomes.
- iv. The following good practice guides and templates apply to this stage of selecting a sourcing business model:

- a. The 4-step process to determine the sourcing business model
- b. The seven (7) Sourcing business models
- c. Relational model mapping (template)
- d. Determine economic model (template)
- e. Definitions of the attributes (template)

### **1.1 The objective**

- i. To ensure that the most appropriate sourcing business model is adopted.
- ii. Also to help determine what Sourcing Business Model is the “best fit” for the prospective sourcing relationship.

### **1.2 Output**

Sourcing business model

## **2.0 Good practice guides**

### **2.1 The 4-step process for determining the sourcing business model.**

- i. This exercise includes four steps that, when properly completed, will help you determine what is the most appropriate Sourcing Business Model for your specific situation.
- ii. **Step 1:** Select the defined spend category/categories you are sourcing/ potentially sourcing.
- iii. **Step 2:** Determine the best relationship model for what you are sourcing.
  - a. This will help answer questions about the business environment, such as the overall level of dependency, the risk comfort zone and the strategic impact of each spending category.
  - b. For example, one of the attributes of “map” is the level of supplier integration/interface.
  - c. The answers will range from none to critical.

- d. The following questions help to determine the best relationship model. There are 6 possible answers, from A, B, C, D, E and F, with responses ranging from none to critical.
- e. In the example, (Table 1: Determining the best relationship model) the stakeholders have agreed on this attribute level of supplier integration as C (relational contract).
- f. The questions which test dependence and relational attributes are listed in the following table.

| Attributes to Determine the Best Relationship Model                           | Transactional Contract |                  | Relational Contract           |                                       |                                       | Investment         |
|---|------------------------|------------------|-------------------------------|---------------------------------------|---------------------------------------|--------------------|
|   | A                      | B                | C                             | D                                     | E                                     | F                  |
| <b>Dependency</b>   |                        |                  |                               |                                       |                                       |                    |
| The overall cost to switch suppliers  | Low                    | Low              | Medium                        | Medium to High                        | Medium to High                        | High               |
| Physical asset specificity (location, machinery, processes)                   | Low                    | Low              | Medium                        | Medium to High                        | Medium to High                        | High               |
| Skill Level Needed for Predominant Personnel                                  | Unskilled              | Semi-skilled     | Skilled                       | Professional                          | Professional                          | Expert             |
| Level of supplier Integration/interface required (systems, support processes) | None                   | Low              | Medium                        | High                                  | Very High                             | Critical           |
| Overall availability of service/product in the marketplace                    | Widely Available       | Widely Available | Wide to Moderate Availability | A limited number of capable suppliers | A limited number of capable suppliers | Scarcely Available |
| Availability of Human Resources   | High                   | High             | Medium                        | Low                                   | Low                                   | Low                |
| Availability of Required Technology   | Universal              | Limited          | Restricted                    | Restricted to Scarce                  | Scarce                                | Unique             |
| Access to buyer's critical systems and processes                              | None                   | Low              | Medium                        | High                                  | Very High                             | Critical           |

**Table 1: Determining the Best Relationship Model Worksheet**

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- What is the overall level of dependency associated with each spend category?
- What is the strategic impact of the spend category?
- Does this spend category provide your organisation with a core competency or competitive advantage?
- What is the degree of risk associated with this spend category?

| Attributes to Determine the Best Relationship Model                           | Transactional Contract |      | Relational Contract |      |           | Investment |
|---|------------------------|------|---------------------|------|-----------|------------|
|   | A                      | B    | C                   | D    | E         | F          |
| Level of supplier Integration/interface required (systems, support processes) | None                   | None | Medium              | High | Very High | Critical   |

**Table 2: Determining the best relationship model**

Source: Used with permission. Vested® www.vestedway.com. Vested, Inc

- iv. **Step 3:** Determine the best economic model for what you are sourcing.
- The most widely used economic model in businesses today is transactional.
  - The reason is that they are the easiest to administer. Suppliers are paid for work done.
  - But as the organisation matures, an output or outcome-based economic model is preferred because it gives the supplier a greater degree of freedom to provide solutions that will create value and drive innovation.
  - The economic model has three possible outcomes (Transaction-Based Economic Model, Output-Based model and Outcome-Based economic model)
  - The following questions help to determine the best economic model.
  - There are 6 possible answers from 1, 2, 3, 4, 5, and 6, with responses ranging on a scale from none to significant.
  - In this example, (Table 2: Determining the best economic model) assuming the predominant column was 3, and the economic model is transactional.
  - The questions that test economic attributes are listed after the following table.

| Attributes to Determine the Best Economic Model                    | Transaction-Based          |                            |                            | Output-Based       | Outcome-Based                      |                                    |
|--|----------------------------|----------------------------|----------------------------|--------------------|------------------------------------|------------------------------------|
|  | 1                          | 2                          | 3                          | 4                  | 5                                  | 6                                  |
| <b>Potential to Create Value / Mutual Advantage*</b>               |                            |                            |                            |                    |                                    |                                    |
| Potential Efficiency Gains   | None                       | Low                        | Medium                     | High               | Very High                          | Significant                        |
| Potential for Revenue Increase                                     | None                       | Low                        | Medium                     | High               | Very High                          | Constant                           |
| Potential for Innovation   | None                       | Low                        | Medium                     | High               | Very High                          | Critical                           |
| Size of investments needed to achieve outcomes (buyer or supplier) | Low                        | Medium                     | High                       | High to Invest     | Invest                             | Invest                             |
| <b>Nature of Workscope/Tasks<sup>2</sup></b>                       |                            |                            |                            |                    |                                    |                                    |
| Degree of Supplier Control Over Outcome                            | Low                        | Low                        | Low                        | High               | Medium-High                        | N/A                                |
| Type of Success Measure Desired/Required                           | Transactional Task Metrics | Transactional Task Metrics | Transactional Task Metrics | Output SLA Metrics | Strategic KPI or Business Outcomes | Strategic KPI or Business Outcomes |
| Ease at Which Task/Workscope Can be Specified                      | High                       | High                       | Medium                     | Medium             | Can Vary                           | Very difficult or Impossible       |
| <b>Criticality of the Work<sup>4</sup></b>                         |                            |                            |                            |                    |                                    |                                    |
| Risk related to operational safety                                 | Minimal                    | Low                        | Medium                     | High               | High                               | Critical                           |
| Risk related to operational reliability                            | Minimal                    | Low                        | Medium                     | High               | High                               | Critical                           |
| <b>Commercial Preferences</b>                                      |                            |                            |                            |                    |                                    |                                    |
| Financial Risk Tolerance for Client                                | High Risk                  | High Risk                  | Medium Risk                | Medium-Low Risk    | Shared Risk                        | N/A                                |
| Financial Risk Tolerance for Service Provider                      | Low Risk                   | Low Risk                   | Low Risk                   | Medium Risk        | Shared Risk                        | N/A                                |

**Table 3: Determining the Best Economic Model Worksheet**

Source: Used with permission. Vested® www.vestedway.com. Vested, Inc

- i. How much potential is there to create mutual advantage by collaborating with a supplier?
- ii. What is the nature of the work scope?
- iii. What is the criticality of the work?
- iv. What are your risk tolerance preferences?
- v. Based on the nature of your stakeholders' requirements, you will select one of the three economic models.

| Attributes to Determine the Best Economic Model | Transaction-Based Economic Model |     |        | Output -Based | Outcome -Based |             |
|---|----------------------------------|-----|--------|---------------|----------------|-------------|
|   | 1                                | 2   | 3      | 4             | 5              | 6           |
| Potential Efficiency Gains                      | None                             | Low | Medium | High          | Very High      | Significant |

**Table 4: Determining the Best Economic Model**

Source: Used with permission. Vested® www.vestedway.com. Vested, Inc

- vi. **Step 4:** Develop a consensus view of the sourcing business model that is right for your situation.
- The best sourcing model will be a combination of the relationship model and the economic model chosen.
  - This comes from an evaluation by the stakeholders.
  - To identify and select the most appropriate sourcing business model for the commodity, step 4 uses the information from steps 2 and 3.
  - The Sourcing Business Model matrix is a simple 3x3 matrix that has the three relationship models on the horizontal axis and the three economic models on the vertical axis.
  - You should take your “answer” from Steps 2 and 3 and “plot” them into the Matrix.
  - Using the example, where the economic model was 3 (transactional) and the relational model was C (relational), the sourcing business model would be the preferred supplier, as indicated in Table 3.

|                |  | Relationship/Contract Model      |  |  |
|----------------|--|----------------------------------|--|--|
|                |  | Transactional Contract (Market)  | Relational Contract (Hybrid)   | Investment (Vertical Integration/ Hierarchy)   |
| Economic Model | Outcome-Based<br><i>Economics tied to Boundary Spanning/ Business outcomes</i>                 | Mismatch – not a viable strategy | <ul style="list-style-type: none"> <li>Vested</li> </ul>   | <ul style="list-style-type: none"> <li>Equitable Partner (e.g. Joint Venture, Subsidiary)</li> <li>Vested Shared Services</li> </ul> |
|                | Output-Based (Performance-Based/ Managed Services)<br><i>Economics tied to Supplier Output</i> | Mismatch – not a viable strategy | <ul style="list-style-type: none"> <li>Performance-Based (Managed Services) Agreement</li> </ul> | <ul style="list-style-type: none"> <li>Equitable Partner (e.g. Joint Venture, Subsidiary, Co-op)</li> <li>Shared Services</li> </ul> |

|  |   |  |  |
|--|---|--|--|
| <b>Transaction-Based</b><br><i>Economics tied to activities drive behaviour, e.g. per unit, per hour</i> | <ul style="list-style-type: none"> <li>• Basic Provider</li> <li>• Approved Provider</li> </ul> | <ul style="list-style-type: none"> <li>• Preferred Provider</li> </ul> | <ul style="list-style-type: none"> <li>• Equity Partner (e.g. Joint Venture, Subsidiary)</li> <li>• Shared Services</li> </ul> |
|--|---|--|--|

**Table 5: Determining the Best Sourcing Model**

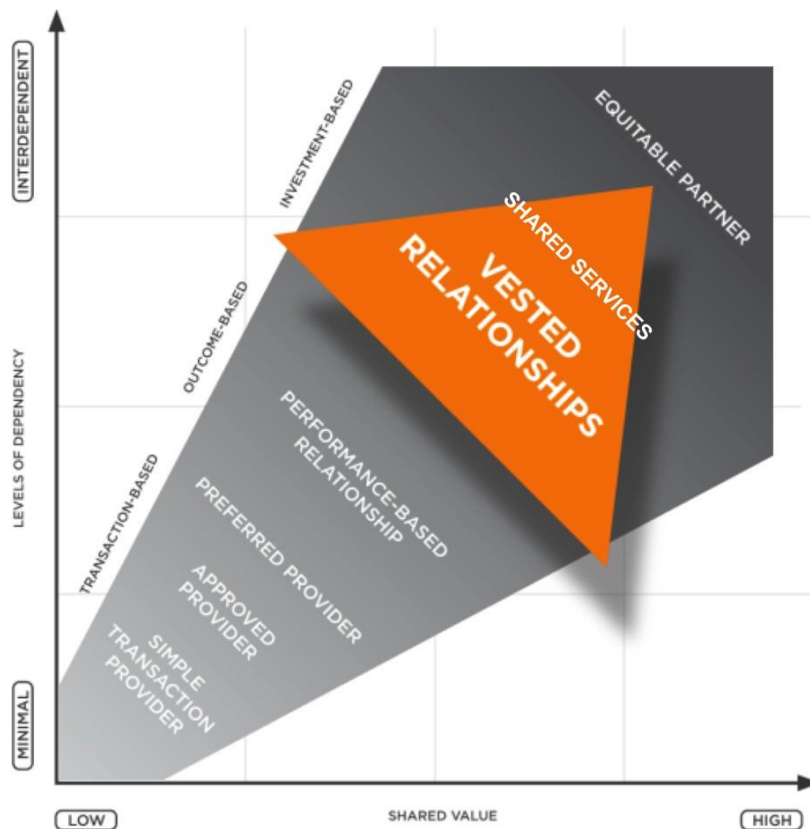
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vii. The final mapping also informs the contractual agreement, and the following questions can be considered:

- i. How does your mapping compare to your potential partner's mapping? And why?
- j. Did conversations about mismatches between the views resolve the mismatches and foster a better understanding between the parties?
- k. Which Sourcing Business Model is the most appropriate? How did this compare with your original expectations?
- l. Did your viewpoint change when you bundled one or more services?
- m. How does this knowledge change your perception of which Sourcing Business Model is appropriate for what you are sourcing?

## **2.2 The seven (7) Sourcing business models**

- i. The axes used to classify the business models are that of dependency and shared value.
- ii. The more dependency, the more commodity-based market approaches should not be used.
- iii. The second axis is that of shared value.
- iv. The more potential rewards to an organisation, the more an organisation should strive to use risk/reward incentives that are inherent in outcome-based or investment-based approaches.
- v. Figure 1 (mapping the sourcing business model) indicates the relationship between the levels of dependency and the shared value as the critical coordinates in determining the most appropriate sourcing business model.



**Figure. 1: Mapping the Sourcing Business Models**

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- vi. The Sourcing Business Model Mapping selection provides an excellent tool to help determine where to plot each sourcing category.
- vii. Those organisations with a low level of maturity tend to be tactically focused on executing day-to-day purchase orders.
- viii. On the other hand, those organisations with a high degree of maturity think about sourcing from a more holistic approach, proactively managing the organisational spending and suppliers.
- ix. Table 4 indicates the relationship between the sourcing business models and the nature of the relationships.



| Sourcing Business Models            | Sourcing Business Model Categories |               |                  |
|-------------------------------------|------------------------------------|---------------|------------------|
|                                     | Transaction-Based                  | Outcome Based | Investment Based |
| Simple Transaction (Basic) Provider | X                                  |               |                  |
| Approved Provider                   | X                                  |               |                  |
| Preferred Provider                  | X                                  |               |                  |
| Performance-Based Relationship      |                                    | X             |                  |
| Vested Relationship                 |                                    | X             | X                |
| Shared Services (Internal)          |                                    |               | X                |
| Equitable Partner (External)        |                                    |               | X                |

**Table 6: Matching the Sourcing Business Models with Sourcing Business Model Categories**

Source: Used with permission. Vested® www.vestedway.com. Vested, Inc

### 2.2.1 The transaction-based models

- i. In a transaction-based model, the commercial aspects around the most competitive price (MCP) are prioritised ahead of the relationship.
- ii. It is based on a Purchase Order (PO) three-way matching (PO, Invoice and Delivery Note).

The three types are simple transaction providers, approved providers, and preferred providers as indicated in Table 5.

| Sourcing Relationship       | Focus                                    | Interaction                                   | Cooperation Level                           | Required Trust Level                      | Characterised by   |
|-----------------------------|--|---|---|---|--|
| Simple Transaction Provider | Cost and Efficiency                      | Standard Terms, Fixed Price                   | Low – Automated where possible              | Minimal – single transaction              | Abundant and easy to resource, no need for a relationship  |
| Approved Provider           | Economies of Scale, Ease of Transactions | Blanket, Negotiated Terms, Pricing Agreements | Medium – Based on pricing or specifications | Medium – common terms and price agreement | Managed by category locally and across the business sector, purchases bundled for economies of scale |

| Sourcing Relationship | Focus   | Interaction  | Cooperation Level                              | Required Trust Level                        | Characterised by  |
|-----------------------|---|--|--|---|---|
| Preferred Provider    | Capability, Capacity, and Technology Transactions | Contract, SOW, Pricing Agreement, Possible Gain Sharing SLAs | High – Set out in a long-term service contract | High – defined by contract, high spend zone | Integral supply across business units, delivering added value and capability, not so abundant, a pain to resource |

**Table 7: Transactional-based Sourcing Business Models**

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## 2.2.2 The outcome-based business models

- An outcome-based business model pays a service provider for the realisation of a defined set of business outcomes, business results, or achievement of agreed-on key performance indicators.
- The two types are outcome-based business models are performance-based and vested relationships as indicated in Table 6.

| Sourcing Relationship                            | Focus                        | Interaction  | Cooperation Level                 | Required Trust Level                    | Characterised by   |
|--|------------------------------|--|-----------------------------------|---|--|
| Outcome-Based/<br>Performance-Based Relationship | Outcomes of Performance      | SRM Governance, Performance Incentives, Fees at Risk                                   | Integrated                        | Integrated                              | Longer-term relationship   |
| Vested Outsourcing Relationship                  | Mutual Gain, Shared Outcomes | Vested Agreement, Vested Governance Framework, Performance Incentives, Margin Matching | Integrated – cooperative, Win-Win | Integrated – behaves as a single entity | Interdependent outcomes, aligned, mutual gain, managed performance, long-term relationship |

**Table 8: The Outcome-based Sourcing Business Models**

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## 2.2.2 The Investment-Based Models

- Organisations that struggle to meet complex business requirements using conventional transaction-based or outcome-based approaches, typically invest to develop capabilities themselves through a process of insourcing.
- The two types are shared services and equity partner sourcing business models as indicated in Table 7.

| Sourcing Relationship | Focus                           | Interaction  | Cooperation Level                                | Required Trust Level                    | Characterised by   |
|-----------------------|---------------------------------|--|--|---|--|
| Shared Services       | Leveraging Cost and Investments | Cross Company Services may include multi-company service | Integrated – cooperative, Win-Win                | Integrated – dictated by equity sharing | Formal charter, inter-company governance structure, interdependent outcomes, aligned goals and objectives, managed performance, Win-Win relationship |
| Equity Partner        | Equity Sharing                  | Joint Venture Asset-Based Governance Framework           | Integrated – cooperative, interrelated structure | Integrated – dictated by equity sharing | Legally bound, formal strategic partnerships, mergers and acquisitions, asset sharing/ holding   |

**Table 9: The Investment-based Sourcing Business Models**

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### 3.0 Templates

#### 3.1 Relational model mapping template

| Attributes to Determine<br>the Best<br>Relationship Model                               | Transactional Contract |  | Relational Contract                                      |  |   | Investment   |
|---|------------------------|--|--|--|---|--|
|   | A                      | B  | C  | D  | E   | F  |
| <b>Dependency</b>   |                        |  |  |  |   |  |
| The overall cost to switch suppliers  | Low                    | Low  | Medium   | Medium to High   | Medium to High  | High   |
| • Physical asset specificity (location, machinery, processes)                           | Low                    | Low  | Medium   | Medium to High   | Medium to High  | High   |
| • Skill Level Needed for Predominant Personnel  | Unskilled              | Semi-skilled   | Skilled  | Professional   | Professional  | Expert   |
| • Level of supplier Integration/interface required (systems, support processes)         | None                   | Low  | Medium   | High   | Very High   | Critical   |
| Overall availability of service/product in the marketplace                              | Widely Available       | Widely Available   | Wide to Moderate Availability                            | A limited number of capable suppliers                        | A limited number of capable suppliers   | Scarcely Available   |
| • Availability of Human Resources   | High                   | High   | Medium   | Low  | Low   | Low  |
| • Availability of Required Technology   | Universal              | Limited  | Restricted   | Restricted to Scarce   | Scarce  | Unique   |
| • Access to buyer's critical systems and processes                                      | None                   | Low  | Medium   | High   | Very High   | Critical   |
| <b>Strategic Impact/Core Competency for Buyer</b>                                       | No                     | No   | No   | Maybe  | Maybe   | Yes  |
| <b>Degree of Business Risk</b>  |                        |  |  |  |   |  |
| Profit Impact (volume purchased, % of total purchased costs, impact on business growth) | None                   | Low  | Medium   | High   | Very High   | Critical   |
| Service failure impact on the end customer/brand experience                             | None                   | Low  | Medium   | High   | Very High   | Critical   |
| Service failure impact on internal customer experience                                  | None                   | Low  | Medium   | High   | Very High   | Critical   |
| Regulatory Compliance Policy  | Meet Standard          | Meet Standard  | Meet Standard or Higher                                  | Meet Standard or Higher                                      | Meet Standard or Higher   | Meet Standard or Higher  |
| Uncertainty of Demand   | N/A                    | Manage unanticipated demand spikes with multiple sources | Provider response to unanticipated volume spikes limited | The contractual ability of the supplier to respond to spikes | Contractual flexibility for supplier and client to respond to spikes to optimise the business | Capacity is set based on captive assets + using market if not asset-specific |

**Table 10: Determine the Relationship Model (template)**

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**Economic model template**

| Attributes to Determine the Best Economic Model                    | Transaction - Based        |                            |                            | Output -Based      | Outcome -Based                     |                                    |
|--|----------------------------|----------------------------|----------------------------|--------------------|------------------------------------|------------------------------------|
|  | 1                          | 2                          | 3                          | 4                  | 5                                  | 6                                  |
| <b>Potential to Create Value / Mutual Advantage</b>                |                            |                            |                            |                    |                                    |                                    |
| Potential Efficiency Gains   | None                       | Low                        | Medium                     | High               | Very High                          | Significant                        |
| Potential for Revenue Increase                                     | None                       | Low                        | Medium                     | High               | Very High                          | Constant                           |
| Potential for Innovation   | None                       | Low                        | Medium                     | High               | Very High                          | Critical                           |
| Size of investments needed to achieve outcomes (buyer or supplier) | Low                        | Medium                     | High                       | High to Invest     | Invest                             | Invest                             |
| <b>Nature of Workscope/Tasks</b>                                   |                            |                            |                            |                    |                                    |                                    |
| Degree of Supplier Control Over Outcome                            | Low                        | Low                        | Low                        | High               | Medium-High                        | N/A                                |
| Type of Success Measure Desired/Required                           | Transactional Task Metrics | Transactional Task Metrics | Transactional Task Metrics | Output SLA Metrics | Strategic KPI or Business Outcomes | Strategic KPI or Business Outcomes |
| Ease at Which Task/Workscope Can be Specified                      | High                       | High                       | Medium                     | Medium             | Can Vary                           | Very difficult or Impossible       |
| <b>Criticality of the Work<sup>4</sup></b>                         |                            |                            |                            |                    |                                    |                                    |
| Risk related to operational safety                                 | Minimal                    | Low                        | Medium                     | High               | High                               | Critical                           |
| Risk related to operational reliability                            | Minimal                    | Low                        | Medium                     | High               | High                               | Critical                           |
| <b>Commercial Preferences</b>                                      |                            |                            |                            |                    |                                    |                                    |
| Financial Risk Tolerance for Client                                | High Risk                  | High Risk                  | Medium Risk                | Medium-Low Risk    | Shared Risk                        | N/A                                |
| Financial Risk Tolerance for Service Provider                      | Low Risk                   | Low Risk                   | Low Risk                   | Medium Risk        | Shared Risk                        | N/A                                |

**Table 11: Determine the Economic Model (template)**

Source: Used with permission. Vested® www.vestedway.com. Vested, Inc

**Definitions of the attributes**

| <b>Attribute</b>  | <b>Definition</b>  |
|---|--|
| The overall cost to switch suppliers  | Costs include both hard (transition costs, employee retention costs, system integration with new supplier) and soft costs (time and effort to manage a transition)   |
| <ul style="list-style-type: none"> <li>Physical asset specificity (location, machinery, processes)</li> </ul>                   | the extent to which investments are made to support a particular buyer requirement is unique for the buyer (specialised tooling, dedicated warehouse)  |
| <ul style="list-style-type: none"> <li>Skill Level Needed for Predominant Personnel</li> </ul>                                  | How dependent is the good or service on knowledge, capabilities and skills held by the workforce?<br>Could the buyer or other providers duplicate these processes easily?  |
| <ul style="list-style-type: none"> <li>Level of supplier Integration/interface required (systems, support processes)</li> </ul> | What level of integration is needed between the buyer and supplier about systems, training, and support processes?   |
| Overall availability of service/product in the marketplace  | Are there companies in the market providing similar services?  |
| <ul style="list-style-type: none"> <li>Availability of Human Resources</li> </ul>   | Are there companies in the market providing similar services?  |
| <ul style="list-style-type: none"> <li>Availability of Required Technology</li> </ul>   | To what extent is the technology used to support the service available in the market?  |
| <ul style="list-style-type: none"> <li>Access to buyer's and suppliers' critical systems and processes</li> </ul>               | To what extent do the buyer and supplier need to have access to each other systems to be successful?   |
| Strategic Impact/Core Competency for Buyer  | Is the good or service being produced a core competency for the buyer?   |
| Profit Impact (volume purchased, % of total purchased costs)  | Profit impact can be volume or value purchased, impact on supply chain "value-add"   |
| Service failure impact on end customer/brand experience   | What would be the impact on the buyer's organisation brand or the end customer if there were a service failure?  |
| Service failure impact on internal customer experience  | What would be the impact on the buyer's internal customer experience if there was a service failure? (e.g. in a facilities management agreement, what would be the impact if the facility was shut down?)                                      |
| Regulatory Compliance Policy  | To what extent do state, federal or other regulations impact the delivery of the service?<br>What is the buyer's tolerance and preference for ensuring regulatory compliance requirements are met for this particular service?                 |
| Uncertainty of Demand   | How stable (or uncertain) is the demand associated with this particular good or service?   |
| Potential Efficiency Gains  | To what level does the service impact efficiency or cost?  |
| Potential for Revenue Increase  | To what extent is the ability to expand the service to support future business needs important? If the buyer and supplier entered into a highly collaborative relationship, would the potential for revenue increase?                          |
| Potential for Innovation  | To what level does the service support innovation? Is the provider able to drive innovation that benefits the buyer?   |
| Size of investments needed to achieve outcomes (buyer or supplier)  | To what extent is the size of the investment needed by the buyer or supplier to achieve the desired outcomes? (e.g. buyer needs a dedicated warehouse in the Middle East, buyer wants transformation of back office procure to pay operations) |
| Degree of Supplier Control Over Outcome   | It is common for a buyer to dictate "how" a supplier should do work (e.g. provide a detailed technical drawing, or statement of work outlining the tasks). To what extent does the supplier have the ability to control the work or outcome?   |
| Type of Measurement Desired <sup>2,4</sup>  | Preference for the type of measurement that is best suited to meet buyer's needs.  |
| Ease at Which Task/Workscope Can be Specified   | The extent to which the task or workshop can be specified in advance in detail. For example, the job of a janitor is easier to specify than the job of a computer programmer   |
| Risk related to operational safety  | To what level does the service support the overall safety of the operation?  |
| Risk related to operational reliability   | To what level does reliability and consistency of performance and quality play in the delivery of the service?   |
| Financial Risk Tolerance  | The preference for which an organisation is willing to accept risk in exchange for a fair return on their investment.  |

**Table 12: Definitions of the Attributes**

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