

EquaTerra Case Study

Leading Consumer Packaged Goods Supplier Undertakes Global HRO Initiative

A multi-billion dollar direct seller of beauty and related products with global operations and millions of independent sales representatives was looking to establish a single worldwide data source to reduce the cost of its HR service delivery as well align its HR organization to better support its commercial restructuring.

At the time, the company did not have a way to capture information on its employees or associates. It had little idea how many employees it had or where they were spending their time. Out of the more than five dozen geographies in which it boasted operations, it only used Peoplesoft HRMS in two geographies. To overcome the disconnect and disorganization of its global HR organization, the company engaged EquaTerra as its partner in determining whether or not outsourcing would be a viable and realistic option for solving its HR challenges.

HR Assessment & Transaction

The HR assessment process started in mid-2005. The beauty products seller was considering one of two options and looked to EquaTerra, an independent outsourcing advisory firm, to advise it on the best scenario: 1) to build an internal shared services center; or 2) outsource its entire HR function. After a lengthy and comprehensive assessment of the company's HR structure, EquaTerra advisors recommended that outsourcing made better business sense over building an internal shared services center. Here's why:

EquaTerra found that by building an internal shared services center, the company would put a massive strain on its existing infrastructure due to the required large, up-front technology investment. On the other end of the spectrum, HR outsourcing offered the company the ability to implement a globally coherent HRIT system with minimal internal resource strain. The HRIT system would include a global data warehouse to provide headcount, compensation, benefit, training and recruiting data. It would also provide an employee self-service and manager direct access tool that could be directly accessed by 98 percent of the company's sales associates around the globe. Therefore, EquaTerra's recommendation to "buy" versus "build" made better business sense and the company's executive team ultimately decided to move forward with an HR outsourcing strategy.

Once the company's executives decided to move forward with an HRO strategy, EquaTerra's advisors moved forward with the comprehensive service provider evaluation process. Utilizing the depth and breath of EquaTerra's experience working with various service providers, it was able to narrow down the number of service provider contenders. Only service providers with global delivery capabilities – with the ability to serve each of the company's four regions: APAC (Asia Pacific), EMEA (Europe, the Middle East and Africa), LA (Latin America), NA (North America) – were considered and several service providers were initially eliminated from consideration during the RFI down-select process because they were unable to service such a complex organization. This left three large, global service provider organizations as viable contenders and each was invited to participate in the RFP process.

One of the providers invited to submit an RFP did not show up with its "A-Team" and its proposal was lackluster. The provider questioned the company's commitment to moving forward with a deal and pressured executives to move forward in a non-competitive agreement. The company's executives were not impressed with this aggressive behavior. A second provider invited to submit an RFP had trouble building the team necessary to deliver a viable proposal. In the end, this provider claimed that it did not have the appropriate resources or experience to deliver on such a complex global deal that involved such a significant IT component. The third provider, which was ultimately selected, submitted a sound proposal from the start and pursued the deal with passion. While the proposal required many adjustments along the way, the service provider's team members remained steadfast in their commitment to the project and its progression. In the end, the professionalism and cultural match drove the beauty products seller to align itself with this particular service provider organization.

At this same time, the company had announced a multi-year restructuring effort; this announcement resulted in multiple delays and reduced the overall project scope.

Despite the delays, the company retained EquaTerra to help it with contract negotiations and to ensure proper development and implementation of the transactional details. The teams worked together to develop a comprehensive set of terms and conditions (including SOW, SLA's, termination rights, indemnification and data security and privacy). EquaTerra advisors also worked with the company to develop a list of potential risks and challenges, as well provide a comprehensive strategy for mitigating such risks. Shortly after, the company came to agreeable contract terms with its selected service provider and signed a final 10-year contract.

Results

With the advisory services of EquaTerra on-hand, today, this beauty products seller has successfully established a comprehensive and cost-effective HR outsourcing function that includes a single worldwide data source (Peoplesoft has been deployed globally) for capturing HR information on all its employees and associates around the world. In other words, the company has been able to achieve significant cost avoidance, potential savings opportunities, and improved services as a result of the transaction.

Overall, the HR outsourcing initiative has enabled this company to:

- Achieve globally integrated associate data worldwide, which has enabled quicker and better decision-making.
- Enable a new HR value added proposition that has allowed HR associates to focus on providing the business with change management, consultation, organizational design, good hires and talent management services.
- Allow for associates to be able to obtain service 24/7 in many countries and a system where the HR team could effect transactions directly.
- Reduce costs for providing HR services globally.
- Enhance the company's organizational effectiveness.
- Implement a global manufacturing strategy through facilities realignment.
- Create additional supply chain efficiencies in the area of procurement and distribution.
- Streamline transactional and other services through outsourcing and moves to low-cost countries.

Of Note: Lessons Learned Along the Way

From this particular engagement, EquaTerra has learned that when conducting an assessment, be sure to pay close attention to what technologies exist, what the client hopes to achieve, and where the company's associates are located. In this case, a global Peoplesoft implementation as well as data and process standardization was required, as the majority of the associates worked in low cost countries.

One of the road blocks the team ran into with this particular engagement involved the company's major reorganization during the assessment process, which delayed and threatened to end the entire initiative altogether. The reorganization diverted the attentions of key company team members and deterred them from being engaged at desired levels. However, by allowing the reorganization (and time) to pass, the company executives were again able to bring the HR outsourcing deal to the table, so patience paid off for all parties.

About EquaTerra

EquaTerra advisors help clients achieve sustainable value in their business processes. With an average of more than 20 years of industry experience in over 600 global transformation and outsourcing projects, our advisors offer unmatched industry expertise. EquaTerra has deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes with advisors throughout North America, Europe and Asia Pacific. Our people are passionate about providing objective, conflict-free advice to our clients, which has fueled our exponential growth over the past four years. We help clients achieve significant cost savings and process improvement with outsourcing, internal transformation and shared services solutions. It is all we do.

For more information, please contact us at 1.713.669.9292 (US) or 44.207.100.7766 (Europe).