

Case Study: International Paper: HRO Contract Benchmarking Diagnostic

At A Glance

Company Profile

International Paper Company is a global paper and packaging company with 50,000+ employees globally.

Services Featured

- Benchmarking Diagnostic
- Contract Review
- Performance and Satisfaction Measurement

Business Processes Involved

- Human Resources

Client Overview:

International Paper Company is a global paper and packaging company that is complemented by an extensive North American merchant distribution system, with primary markets and manufacturing operations in North America, Europe, Latin America, Russia, Asia and North Africa. As of Dec. 31, 2007, International Paper had approximately 51,500 employees, 33,100 of whom were located in the United States.

International Paper had sales in 2007 of \$22 billion and for 2007 is ranked No. 93 among Fortune 500 companies. In 2007 the company was also named No. 1 in the forest products sector for the fifth consecutive year on Fortune magazine's Most Admired Companies list. Its stock is traded internationally on the New York, Swiss and Amsterdam exchanges.

Business Challenge

International Paper was an early adopter in the Human Resource Outsourcing (HRO) space signing a contract in 2001. Seven years into the contract, with a year and a half to go before contract expiration date, International Paper demonstrated their forward looking focus by conducting a Benchmarking Diagnostic of their current contract in preparation for the upcoming decisions around renewal or contract change.

EquaTerra Involvement

EquaTerra was hired to conduct a HRO contract review and market comparison. EquaTerra's Benchmark Diagnostic services were well suited to achieve International Paper's goals of understanding how their current contract terms and conditions compared to more recent HRO contracts, how their service level agreement compared to best practice and industry standards, and whether the pricing scheme was still competitive in today's market.

EquaTerra' contract review and diagnostic services include the Benchmarking Diagnostic as stage 1. EquaTerra also offers expertise and services in strategic planning for contract next steps based on the outcome of the diagnostic, as well as HRO contract negotiation expertise to guide and assist clients through contract revisions and renewals.

International Paper and EquaTerra agreed that the scope for their contract review should be the Benchmarking Diagnostic in consideration of existing language in their HRO contract covering reviews by parties other than International Paper and the service provider. The contract in-scope HR processes included:

- Payroll, including Time and Attendance
- Benefits
- Employee Data Management
- Employee Services (Service Center)
- Leave Administration
- Terminations/Separations
- Learning
- Appeals/Adjudications
- Third Party Vendor Management
- Assigned Third Party Arrangements

To conduct a thorough diagnostic the EquaTerra team reviewed the core master services agreement, addendums, change requests, decision requests, invoices, actual fees and budget projections documented over the seven years of the contract. Interviews were conducted with key resources that were involved with the original contract design and negotiation, as well as with those managing the contract today.

The project was placed on a four week completion schedule, with some flexibility allowed for possible challenges to the collection of documents and data.

Results

As a result of the contract review and diagnostic, EquaTerra highlighted the variances to today's market.

Within the contract review, certain specific terms were identified where typical market terms have evolved from this early HRO contract. EquaTerra provided guidance to International Paper regarding how the contract compared to the current HRO environment and what the impact of any current industry practices might have.

The diagnostic also highlighted where industry standards and best practices for service level agreements and management has evolved to be more robust and to focus on business differentiators. Highlighting the variances specific to International Paper has in some cases validated operational performance management changes

the organization was considering, and in other cases provided insight to existing levels that are likely impacting their pricing scheme. With this knowledge in hand International Paper can be confident that they're making decisions about performance changes based on facts and industry validated practices.

Finally, the diagnostic reviewed pricing and provided International Paper advice on where pricing appeared either within and outside market ranges, evaluated value capture considering volume fluctuations, and made recommendations regarding updating certain pricing and financial mechanics in the contract.

Learn More

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About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported more than 2,000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement, Real Estate and Facilities Management and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

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