

## Case Study: EquaTerra Helps Leading Consumer Packaged Goods Supplier Discover the Beauty of Global HR Outsourcing

### Supplier creates single worldwide data source to capture HR information, achieving cost avoidance, savings opportunities, and improved service delivery

#### At a Glance

##### Company Profile

Multi-billion-dollar direct seller of consumer products with operations and millions of independent sales representatives around the world

##### Services Featured

- HRO Strategy and Assessment
- HRIT – Build vs. Buy Evaluation
- Global Service Provider Selection Process
- Service Provider Contract Negotiations

##### Business Processes Involved

Human Resources

#### Executive Summary

This case study examines how a major consumer packaged goods supplier turned to outsourcing as a means to achieve a globally strategic HR organization. With EquaTerra's help, the company was able to conduct a thorough assessment of whether it should "build" or "buy" a global HRIT system, navigate the service provider selection process, and negotiate a win-win contract for all parties. In the end, this company was able to achieve significant cost benefits and service level improvements – much of which previously was unattainable without EquaTerra's objective evaluation and strategic recommendations.

#### Business Challenge

This global consumer packaged goods supplier sought to establish a single worldwide data source so it could effectively reduce the cost of HR service delivery and align its HR organization to better support a commercial restructuring. The company did not have a way to capture information on its employees or associates. It didn't know how many employees it had (globally and at a country level) or where they spent their time. Of the more than five dozen geographies in which the company had operations, only two of them used PeopleSoft HRMS. To overcome the disconnect and disorganization of its global HR organization, the company engaged EquaTerra, a third-party independent advisory firm, as its partner in determining whether outsourcing would be a viable and realistic option for solving its HR challenges.

#### How We Helped

##### EquaTerra Conducts Detailed HR Assessment and Transaction

Starting in mid-2005, EquaTerra began working with the company on a thorough HR assessment. The company was considering two options and looked to EquaTerra to advise it on the best course of action and help determine whether it should: 1) build an internal shared services center or 2) outsource its entire HR function. After a lengthy and comprehensive evaluation of the company's HR structure, EquaTerra advisors recommended that outsourcing made better business sense than building an internal shared services center. Here's why:

EquaTerra found that building an internal shared services center would put a massive strain on the company's 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 also would provide an employee self-service and direct-access manager 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.

### Company Embarks on Service Provider Evaluation Process

Once the company's executives decided to move forward with an HRO strategy, EquaTerra's advisors began a comprehensive service provider evaluation process. Utilizing the depth and breadth of EquaTerra's experience working with various service providers, we were able to narrow down the number of service provider contenders. Only those 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) and NA (North America) – were considered. Several service providers initially were 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 providers as viable contenders. 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 move forward with a deal and pressured executives to accept 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. Ultimately, this provider admitted 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 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 company to align itself with this particular service provider.

During the RFP process, the company announced a multi-year restructuring effort, which resulted in multiple delays and reduced the overall project scope.

### EquaTerra Leads Company through Contract Negotiations

Despite the delays, the company retained EquaTerra to help 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, SLAs, termination rights, indemnification, and data security and privacy). EquaTerra advisors also worked with the company to develop a list of potential risks and challenges and provide a comprehensive strategy for mitigating these risks. Shortly thereafter, the company came to agreeable contract terms with its selected service provider and signed a final 10-year contract.

### Results

With the assistance of EquaTerra's advisory services, this company has successfully established a comprehensive and cost-effective HR outsourcing function that includes a single global data source (PeopleSoft) for capturing HR information on all of its employees and associates around the world. As a result, the company has been able to achieve significant cost avoidance, potential savings opportunities, and improved services.

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

- Achieve globally integrated associate data worldwide for quicker and better decision-making.
- Adopt a new value-added HR proposition that has allowed HR associates to focus on providing the business with change management, consultation, organizational design, good hires and talent management services.
- Provide 24/7 service to associates in many countries and a system where the HR team could affect 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 procurement and distribution.
- Streamline transactional and other services through outsourcing and shifts to low-cost countries.

## Advisor Insights

In reflection, EquaTerra advisors who worked on this engagement have offered the following insights for other companies in similar situations:

- **Fully Evaluate Client's Needs:** When conducting an assessment, it's important to pay close attention to the technologies that exist, what the client hopes to achieve, and where the company's associates are located. In this case, the company required a global PeopleSoft implementation, as well as data and process standardization, since the majority of its associates worked in low-cost countries.
- **Anticipate and Expect Set-Backs:** One of the roadblocks the team faced in 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 attention of key company team members. However, by waiting for the reorganization (and time) to pass, company executives were again able to bring the HR outsourcing deal to the table. Patience paid off for all parties.

### 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 over 2000 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 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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