

Case Study: Energy Corporation Reevaluates HRO, Launches New Transformation EquaTerra Leads RFP, Scope Development and Contracts

At a Glance

Company Profile

A large energy corporation

Services Featured

- Contract recompute
- RFP development
- Provider selection
- Scope development
- Contract management

Business Processes Involved

Human Resources

Key Results

- Success on an aggressive timeline
- Innovative RFP process that generated higher-quality proposals
- Streamlined decision-making
- Well-defined scope, split between two providers
- Joint planning to ensure integration between service providers
- Customized contract structure to meet financial requirements

Executive Summary

As this large energy company has grown, its HR function has changed significantly. In 2005, recognizing the criticality of HR's ability to support and help drive the future, the organization decided to initiate another HR transformation that would include a competitive tender for redefined HR services. With the help of EquaTerra, this corporation successfully ran an innovative RFP process, split the scope of its HR services among two providers, and built and managed customized contracts for each of the two providers while integrating them to work together as needed – all on a very aggressive timeline.

Business Challenge

After starting its HR processes' redesign, the company was ready for the next phase: design, build and implement the physical and technical capability; transition to the new delivery model; and begin operations in 2008. In April 2005, the company retained EquaTerra to guide the company through this phase, beginning with a request for proposal (RFP) issued to three prospective service providers, including the incumbent.

How We Helped

Non-traditional RFP – Soliciting Solid Proposals Despite an Incumbent's Presence

While buyers traditionally use the RFP process to state requirements for service providers, in this case the company wanted providers to help shape those requirements. So EquaTerra designed an innovative workshop process enabling providers to generate ideas and discuss solutions with the HR team. In the first workshop, the company presented the project context and key dimensions to all three providers. Next, in workshops conducted separately for each provider, the prospects outlined their ideas for the HR team, asked questions, sought clarification and received feedback. And in the final series, the providers presented their solutions.

To ensure a successful, productive dialogue, EquaTerra managed challenges on both sides of the table. On the buy side, EquaTerra helped the HR team remain flexible throughout the process, keeping the requirements open so providers could showcase their capabilities and recommendations. It was important, for example, to set aside any biases about service-center location or software applications and instead let service providers offer ideas. The EquaTerra process helped keep these channels open.

Meanwhile, on the supplier side, some of the service providers were apprehensive about participating in the process because they assumed they didn't have a real chance against the incumbent. Likewise, the incumbent questioned its chances since the company was, after all, issuing a recompete for redefined HR services. EquaTerra assured all players that the playing field was fair and that all three providers were equal contenders. As a result, they brought their best game forward.

Immediately following the third workshop, EquaTerra assembled the RFP that detailed the overall scope of services – to design the physical and technical capability for transformation, build it, and ultimately operate it – in the form of outsourced services for select HR processes in the U.S. and the U.K. beginning in 2008. Due to EquaTerra's structured yet informal workshop process, the company received three very high-quality proposals that made for a tough decision.

Split Scope – Going Against the Norm

To facilitate review of the proposals, EquaTerra designed and oversaw a process that included site visits – in the U.S., U.K., Eastern Europe, India and the Philippines – and subsequent assessments. As part of the evaluation process, EquaTerra expedited decision-making by helping the company identify the true stakeholders in the HR transformation and ensuring they had the necessary information to select the best service provider.

The company's HR team identified one service provider as the leader in HR services and another as the leader in technology, but ultimately determined that no single service provider was capable of adequately delivering the entire scope of work. In the end, the company opted to split the scope between the two providers instead of offering it all to only one – a very difficult, and therefore often discouraged, course for outsourcing.

EquaTerra acted swiftly to meet the company's unique requirements while incorporating best practices. We led the process of defining the two scopes – one for HR processes and services and the other for the required technical systems – and requested revised proposals from the two preferred providers for the scope that was offered to them. Working with both providers, EquaTerra ensured each had clearly defined roles, accountabilities and measurements.

Developing Multiple Contracts

Usually, the preferred option in outsourcing is one big contract. In addition to streamlining the process, bigger contracts usually earn bigger discounts. But one overarching contract wouldn't work in this case. The company's internal budgeting-and-approval process required sign-off on projected costs for each phase of the contract, and those costs weren't yet known since the contract and the capabilities were being developed simultaneously.

In response, EquaTerra proposed a contract structure to fit the company's financial process and managed the creation of a separate contract for each of the three phases – and for each provider. That translated to six contracts (not including the preceding, interim contracts just to get started).

EquaTerra also developed joint planning processes – involving the company and both service providers, all at the table together – to ensure collaboration and close integration between the service delivery and the technical components. This integration would be critical for the redesigned HR services to fully support the corporation's employees. Such joint discussions, however, can be delicate, as the service providers – who are otherwise competitors – may act cautiously, careful not to reveal any deficiencies to the other. EquaTerra's joint planning process, which was followed by a detailed definition of deliverables and accountabilities, achieved integration and kept the project on track despite the aggressive timeline and contracting complexities. With the design and build contracts complete, EquaTerra is now driving the two operations' contracts for HRO and application management.

In addition to ensuring that all contracts captured the right deliverables, accountabilities and service levels, EquaTerra developed governance processes and acceptance criteria for proposed changes. For example, if the company wanted to consider bringing a new process into scope, there would be a lot of questions to be answered: How would such a proposal be evaluated? Who would sign off on the request? How would the company ensure that it invests evaluation time only in worthwhile proposals? EquaTerra designed processes with built-in control points and acceptance procedures to answer these kinds of questions and stay on course.

Results

On virtually every aspect of the project, this corporation has veered from tradition. Rather than issuing RFP requirements in the standard manner, it sought providers' help in shaping those requirements. Instead of choosing one service provider, it split the scope between two. And rather than streamlining the deal through one contract, the company required a separate contract for each of three phases and two service providers.

These paths, though unorthodox and challenging, have not compromised the quality, speed or overall success of the project – due in large part to the processes and strategic counsel EquaTerra has provided. Even more, EquaTerra has facilitated this success under significant time pressure, with the project on track to culminate in a completed design by spring 2008 and live operations a few months later.

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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