

Case Study: Consumer Products Company Seeks to Upgrade its HR Service Delivery Model

EquaTerra Assessment Details Opportunities for ‘Small’ Company to Make ‘Big’ Improvements

At a Glance

Company Profile

Headquarters: Eastern U.S.

Industry: Manufacturer of paper and consumer products

Size: Small company of 1,000 employees with two manufacturing facilities

Services Featured

- HR Assessment

Business Processes Involved

- Payroll
- Benefits
- Learning and Development
- HRIT
- Compensation
- Recruiting and Staffing
- Performance Management
- Safety and Health

Executive Summary

This case study explores how a small, traditional consumer products company can use EquaTerra’s services. With limited HR resources and a small HR department, this consumer products company was looking to utilize its HR staff in a more strategic way and improve the way it delivered HR benefits to employees. Through a detailed assessment, EquaTerra advisors were able to help this client identify key ways to improve its HR business processes and service delivery. While cost savings is not always possible for smaller and mid-sized companies, EquaTerra’s assessment showed the company’s executive team that there are ways to become more nimble in business through a shared services model and a more aligned and strategic business strategy across business functions.

Business Challenge

Recently, the company appointed a new CEO to help it become more nimble in business. The company found a business-minded and experienced leader to help it evaluate various strategic business models.

The new CEO wanted to learn more about how outsourcing – where warranted – could improve HR operations, reduce costs and expand employee services. With support from the company’s HR executives, who also were interested in exploring potential cost savings and a more modern way to approach HR, the company retained EquaTerra to conduct an assessment to determine if outsourcing could help the company achieve such goals.

How We Helped

EquaTerra’s first course of action was to learn more about the structure of the HR function. Through detailed discussions with key executives, EquaTerra gathered quantitative information related to HR costs and operations and qualitative information about HR processes, efficiencies, opportunities and challenges. The HR process areas identified and evaluated in the assessment included:

- Payroll
- Benefits
- Learning and Development
- HRIT
- Compensation
- Recruiting and Staffing
- Performance Management
- Safety and Health

At the end of the information gathering sessions, EquaTerra advisors evaluated their findings and made some general, overarching observations. EquaTerra found that the company spends appreciably less money on HR service delivery than other mid-level employers. With a high HR-to-employee service ratio, the actual size of the HR staff is small relative to the population served.

Armed with such information and analysis, EquaTerra advisors began to document some specific recommendations for improvement in each HR process area, as detailed below:

- **Payroll** – Because payroll costs, as measured on a per-employee basis, were slightly below those of employers of greater scale, EquaTerra found that cost reductions may not be possible. However, EquaTerra affirmed the company could consider outsourcing as a way to achieve HR process improvements through automation and integration of IT systems. Specifically, the company should move toward a monthly or bi-monthly payroll cycle (versus a weekly cycle) and explore the possibilities of a mandatory direct deposit system to automate payroll processes.
 - **Benefits** – EquaTerra found that benefit processes were manual, HR inquiries were not being tracked, there is a relatively large retiree population with a corresponding high call volume, and the different types of benefits were sourced to a variety of third parties. EquaTerra recommended the company automate benefits enrollment, identify ways to reduce benefit inquiries by tracking inquiries and addressing common themes with targeted communications, and consolidate benefit vendors to maximize purchasing power.
 - **Learning and Performance Management** – EquaTerra found the company had no formal training options (outside of safety training), and there was no clear link between performance assessment and structured employee development plans. EquaTerra recommended the company identify development requirements for specific lines of progression or job classifications, look for ways to provide low-cost, easily implemented learning options that employees could access on-demand, and ensure processes are designed to emphasize a clear link between performance assessment and structured employee development plans.
- **HRIT** – With no integrated software or self-service options available to managers or employees, EquaTerra recommended the company investigate IT automation options across all of its business units.
 - **Recruiting** – With a low turnover ratio, EquaTerra recommended the company look for ways to replace or upgrade the skills of its older workforce by reviewing employees' skills against the company's long-term business needs. EquaTerra also recommended that they identify "at risk" functions/positions and then develop sourcing strategies related to those areas.
 - **Compensation** – EquaTerra suggested the company investigate automated salary planning tools that are integrated with performance management and employee development strategies.
 - **Safety and Health** – Given the company's HR department is charged with ensuring the safety and health of all its employees, EquaTerra recommended that they create automated methods for tracking required safety training and license renewal notifications.

Results

EquaTerra found no compelling case that HR outsourcing would significantly cut costs; however, EquaTerra's finding supported that outsourcing, in selected areas, would support the company's move to approach HR in a more strategic, best-practices manner.

Overall, the company executives were very pleased with EquaTerra's detailed assessment. While company officials knew there was room for improvement, EquaTerra was able to give them external validation and recommendations for process improvement. At the time this case study was written, the company was prioritizing the recommendations with which it made the most sense to implement.

Advisor Insights

EquaTerra advisors who worked on this engagement offer the following insights to other companies in like situations:

- **Fully evaluate HR spend from all angles:** This consumer products company learned that, like many others, it was spending more on HR than it thought. The company had not accounted for IT services, time spent on data entry for time and attendance tracking, nor other functions that were not specifically accounted for in its HR budget. EquaTerra advises that companies look at all areas that affect a particular function in order to determine actual spend.
- **Look to sourcing to achieve more than just cost savings:** The company was smart in its approach to this HR assessment. While cost savings was definitely something the company wanted to explore, their executives more importantly recognized that there were ways to utilize sourcing to modernize and improve its HR capabilities. Small and mid-sized companies should not turn to sourcing with cost savings as their only priority, because they will likely be disappointed with the outcome.
- **Don't let your knowledge go out the door with employees:** One of the key challenges of this assessment involved the fact that the company did not maintain detailed employee data in centralized, accessible databases. Rather, individual employees retained this important information, thereby allowing HR knowledge to go out the door with an employee at the end of the day. If an employee was to leave the company, such knowledge could be lost forever. Companies should look to sourcing and process improvements to ensure that important information is retained by companies, not individual employees.

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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