

Case study: Rhodia becomes first French Multinational company to embrace Global Sourcing in order to drive change in its HR organisation

EquaTerra recommends use of dual suppliers to ensure Rhodia achieves their goals in hard-hitting service delivery and cost-savings

At a glance

Company Profile

Rhodia is one of the world's leading manufacturers of specialty chemicals. Its International Industrial Group is structured around seven enterprises where it partners with the major players in the automotive, tyre, electronics, perfume, health and beauty and home care markets. The group has a strong sustainable development focus with sales of €4.8 billion in 2006. The company is based in France and, at the time of this project, employed 19,000 employees in 25 countries worldwide.

Services featured

- Assessment
- Outsourcing
- Transformation
- Service Provider selection
- Contract negotiations

Business processes involved

- Human Resources
- Recruiting and staffing
- Performance management
- Training administration
- Workforce administration
- Compensation & Benefits administration
- Workforce analytics
- HR Call Centre support
- Payroll

Executive summary

In 2006, Rhodia became the first French multinational company to embrace global sourcing as part of its valiant effort to create a sound foundation for anticipated future growth. EquaTerra conducted a comprehensive study of Rhodia's HR activities and costs, and identified a little more than half of the total HR costs as being suitable for outsourcing. EquaTerra also identified that the best value method of meeting all objectives was a dual supplier route, which would give Rhodia the future flexibility and scalability it required. With those recommendations in mind, EquaTerra helped drive an aggressive and rapid service provider selection agenda. As a result, Rhodia signed global sourcing contracts with two service providers, thus putting the company on track to cut costs and improve its global HR service delivery.

Business challenge

Although worldwide sales topped €7 billion in 2001, the French company had struggled since due to a heavy debt burden (the result of its spin-off from French chemical and pharmaceutical company, Rhône-Poulenc, in 1998), coupled with a persistent slowdown in the global chemicals industry.

By 2006, Rhodia had been under bankers' orders for nearly four years and there was enormous pressure on all parts of the business to cut costs. 2006 had been identified as an important stabilisation year for the company and the best time to create a sound foundation for anticipated future growth. Turning to an outsourced business model, Rhodia became one of the first French multinational companies to embrace global outsourcing, and the first to undertake HR outsourcing on a global scale.

The company's primary aim at the time was to achieve cost-savings of a further 30 per cent on top of reductions already identified and underway. All regions and sectors of the business were consulted for ideas on how and where to achieve these savings.

Optimising the company's human resources by outsourcing the administrative and support areas of key HR processes was identified as a critical step towards this goal and to facilitating further rationalisation in the future.

How we helped

EquaTerra was asked to undertake a global evaluation in November 2005 while Rhodia recruited a programme manager who would be responsible for driving the new programme. This followed an earlier evaluation that EquaTerra had conducted of Rhodia's North American HR operations (resulting in a recommendation that a global approach would be required to achieve the desired efficiencies).

EquaTerra assisted with a rapid but comprehensive study of Rhodia's HR activities and costs, which identified slightly more than half of the total HR cost as suitable for outsourcing. This study was used as the basis for driving an RFP with an aggressive agenda of selecting the desired partners within three months. This rapid pace was driven by Rhodia's need to achieve a demonstrated commitment to change and savings, as well as EquaTerra's assistance in identifying that its HR operation was ripe for outsourcing.

Rhodia had 7,500 employees in France, 3,000 in Brazil (where the company is highly regarded) and a strong foundation in China. The company also had a diminishing presence in Germany and the UK. Although Rhodia had already reduced its headcount by the time that EquaTerra were engaged, one ambition was to further reduce operations in France – a highly sensitive issue for a company with strong French roots.

EquaTerra identified that the best value method of meeting all objectives was a dual supplier route (rather than using sub-contractors). This would enable a clear distinction between scope of work on both sides and give Rhodia the future flexibility and scalability it required. The dual supplier route ensured that Rhodia achieved optimal solutions and costs in core payroll services and systems, as well as in the broader transformational outsourcing of HR services.

As a result, for the first time ever a global scale, two leading outsourcing providers were asked to work together. Despite the complexity of Rhodia's existing IT infrastructure, and the inherent difficulty of achieving its desired state using two different suppliers, contract negotiations proceeded smoothly without any major delays.

EquaTerra identified that payroll data was critical to the success of the broader transformation project. A history of local market autonomy had created a fragmented administration structure

with different payroll solutions in place in each market. Many of these were 'best of breed', which meant the company wanted to retain some of them while also providing staff with a new, seamlessly integrated global portal. This was just one of the many extremely tough IT architecture challenges that faced both providers.

An additional learning point for both sides was the issue of liability clauses. The chemicals industry commonly works to five-year liability clauses, whereas outsourcing service providers are accustomed to just one. The importance of working this triumvirate relationship as a partnership was also established, rather than as a traditional vendor that Rhodia's procurement officials are used to.

Results

Rhodia awarded two contracts to two separate leading global service providers. One was awarded a seven year BTO contract to provide support for HR processes such as recruitment, training, compensation and benefits plus workforce administration and analysis and global systems to improve process standardisation. A second was tasked with payroll and personnel administration processes globally and will leverage its existing platform with Rhodia to achieve this. The latter provider will also provide Rhodia with a global HR information system.

Overall, EquaTerra helped Rhodia create HR service delivery improvements as well as achieve cost savings targeted at reducing by 30% the cost of delivering HR processes.

Advisor Insights

Rhodia has shown that significant HR transformation and restructuring can be achieved in a mature and predominately European social environment. Top level support and drive were key to this vision, combined with very strong management and understanding of the works council social situation. To achieve this within a global organization requires an effective and sustainable technology infrastructure, and a clear differentiated approach to managing services to all scales of country.

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, Middle East, Africa 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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