

# Case study hr outsourcing

Business



Case Study: HR Outsourcing at BP Amoco British Petroleum, or BP Amoco, is a leading international energy and petrochemicals company. Currently, it operates in more than 40 countries and has more than 80, 000 employees, with an equal or greater number of retirees.

Several years ago, BP decided that drilling and finding oil was its primary mission. Everything else was deemed secondary. The U. S. company Exult defined this type of full service HR outsourcing in December 1999 when it announced a \$600 million, seven-year contract to create and operate a global HR services organization for 50, 000 U. S.

and U. K. employees of BP Amoco. The Outsourcing Framework – Creating a Contract Roadmap Exult’s initial contracts under the outsourcing agreement covered BP Amoco employees in the United Kingdom and the United States, or approximately 70% of its total employees and annuitants.

Exult and BP Amoco collaborated on identifying 18 separate processes involved in BP Amoco’s HR organization: training, organization development, HR strategy, labor relations, compliance, expatriate relocation and administration, information services, benefits, compensation, employee relations, vendor administration, payroll, employee development, recruiting, severance, performance management, domestic relocation, and information technology Each process was divided into component tasks or functions and responsibility for each was allocated either to BP Amoco or to Exult.

In general, Exult is responsible for systems design and implementation, routine employee communications, data gathering, processing and retrieval, management reporting, vendor management, and overall administration of

related HR functions. BP Amoco is accountable for strategic planning, policy decisions, employee relations, legal compliance, and professional resources. Some BP Amoco employees involved in providing the HR services became Exult employees. BP Amoco paid severance costs for its employees whose employment was terminated because of the transition of BP Amoco's HR management processes to Exult's service model.

The first phase of the mammoth project was a transition period during which BP Amoco's HR management processes in the United Kingdom and the United States were converted to Exult's systems and infrastructure according to a detailed plan. Among other things, the plan required both firms to integrate IT systems, compile and transfer data, hire or retain additional personnel to handle the workload, and make arrangements to assign or administer BP Amoco's contracts with third parties providing discrete services that constitute a part of Exult integrated service offering.

The transition period lasted until February 2001.

After the initial transition period, Exult was obligated to provide services to BP Amoco in the U. K. and the United States for fixed fees that were generally equal to or less than BP Amoco's historical costs incurred in connection with the services that were outsourced. After Exult achieved a negotiated minimum return from the provision of outsourced HR services, they were required to share further savings with BP Amoco in a negotiated gain-sharing arrangement that is intended to motivate Exult and BP Amoco to maximize efficiency in the provision of outsourced services.

**Extending Outsourcing Agreement to Worldwide Operations** The outsourcing agreement allowed for extending the arrangement beyond the U. K. and the United States to unite all of BP Amoco's worldwide operations under one global integrated eHR solution. Adding a country to the outsourcing arrangement involves advance notification from BP Amoco followed by a detailed due diligence process through which Exult works with BP Amoco to identify its HR service needs and costs in that country and Exult's ability to meet those needs and provide specified cost savings in that country.

**Termination Clauses in the Outsourcing Agreement** The outsourcing agreement will run for seven years, and the U.

K. , U. S. and other country agreements will run for a minimum of five years, subject to BP Amoco's right to terminate in the event of Exult insolvency or material breach or performance failure, or if Exult is taken over by an entity that is a competitor of BP Amoco. **Initial Results**

Standardization enabled BP to simplify operations. For example, there used to be more than 100 types of employment contracts in the U.

K. , but now there are fewer than ten. Exult is also providing BP with more operational information, for example on the accuracy of salary payments.

The Web-enabled myHR service allows employees to manage their own work and job opportunities, bypassing potential barriers to equal opportunities.