

A modern office interior with large glass windows and wooden floors. The scene is brightly lit, showing a clean, professional environment. The glass reflects the surrounding buildings and sky. In the foreground, there are some office chairs and desks, partially obscured by the glass.

Shura Management

Case Study: Element Financial

*How to Generate Cost Savings from IT
Suppliers in a Post M&A Environment*

Background

Element Financial's \$1.4 billion Acquisition

In July 2014, Element Financial acquired the Vehicle Management Services ("VMS") division of PHH Mortgage ("PHH") for USD \$1.4B. The acquisition made Element one of the largest fleet businesses in North America.

At a high level, Element was acquiring all of VMS' assets, including facilities, staff, hardware and software. And while some supplier agreements were between the suppliers and VMS, many of the technology agreements were between the suppliers and PHH – even for goods and services only being used by VMS.

To further complicate matters, many of the large software applications being used by both companies were licensed by PHH, with VMS having the right to use the software as a subsidiary.

At the time of the transaction, it was undecided which specific technologies Element would continue to use post-divestiture, both short and long-term.

A series of Transition Services Agreements ("TSA's") were put in place which would allow VMS to continue operating under the PHH supplier agreements for a period of time while Element either completed an assignment, negotiated a new agreement or transitioned to a different platform for each supplier under the TSA.

Each TSA represented a significant monthly cost for Element. Time was of the essence to deal with each of the 300+ Suppliers and close the relevant TSA's – most of which were for a 9 month duration, with some as short as 3 and 6 months.

Problem

In-House vs Big Firms: How to Deal With 300+ IT Vendors

Element's Legal and Procurement staff didn't have the bandwidth or skill set to properly negotiate a large quantity of technology agreements in a very short time frame.

The knee-jerk reaction in these situations is to rely on the big name consulting firms that are typically engaged in transition services for these types of deals. And Element received bids from three of the big five firms.

However, IT Contract Negotiations and Contract Management is a highly specialized skill, even in the consulting world. And the big firms simply don't have the right combination of tools, domain knowledge, and expertise to handle it effectively.

The typical proposal for contract dispositioning during Post Merger Integration ("PMI") is a 3-6 month Time & Materials ("T&M") engagement utilizing several high-rate consultants who will review the Supplier agreements to be dispositioned and provide a proposal for the actual work to be done under a second, even more expensive engagement.

Element's TSA's ranged from 3-9 months, so paying for consultants to spend two-thirds of that time reviewing contracts and coming up with a plan just wasn't feasible, nor should it be for any organization in a similar situation.

Solution

4 Simple Steps to Post M&A IT Contract Management

After recovering from the sticker shock of the big firm proposals, Element contacted Shura Management for a more practical, cost-effective and time-sensitive solution.

Our proven 4-step process for IT Contract Management was able to address Element's specific requirements, as follows:

Step 1 - Discover

Most organizations will spend time during the due diligence period of Mergers and Acquisitions to identify all of the suppliers that are in scope for review.

Our first step was to find the contracts for all of those suppliers and get them into a secure and easily accessible location for review.

Working closely with PHH, we quickly collected most of the agreements and uploaded them into our proprietary Contract Management tool, [OneView](#).

Step 2 - Review

In [OneView](#), we created a relevant summary for each agreement as it was being uploaded.

Element's CIO office was given access to OneView so we could quickly review and assess whether an agreement was to be assigned, renegotiated or terminated.

Step 3 - Prioritize

Once we had agreed on a course of action for a given supplier, we assigned a priority to each of the 300+ vendors.

Solution

4 Simple Steps to Post M&A IT Contract Management

The suppliers wanted to execute immediately, especially where it involved fees for an assignment or renegotiation. But PHH wanted to take their time, because they wanted to continue receiving monthly TSA payments.

So it was critical to align priorities between the PMI transition plan and TSA timelines before proceeding with the final step.

Step 4 - Disposition

We then created a negotiation strategy for each supplier. But unlike the big firm consultants, we sat at the table and actually ran the negotiations on behalf of Element.

With over 20 years of IT contract negotiations behind us, including several multi million dollar negotiations with all the large IT vendors, we realized over \$2M in cost savings and avoidance.

The final task was to make sure every supplier agreement that was dispositioned — whether it was an assignment, a renegotiation or an extension for a limited period of time — was stored in a secure, easily accessible [Contract Management tool](#).

Results

Over \$2 million in Cost Savings & Avoidance

Over a 9 month period, we engaged with over 300 suppliers and helped Element review and disposition agreements with each one of them.

In doing so, we negotiated over \$2M in cost savings and avoidance for our client.

We also provided Element with a fully functioning [Contract Management tool](#) that housed all of their technology agreements with summaries, notifications and alerts – the same tool we used collaboratively throughout the engagement.

Now, Element receives an alert 30, 60, and 90 days before any one of these agreements is due for renewal. At any time, they can quickly access the contract summary to review the terms and conditions we negotiated for them and realize continued savings by ensuring future renewals adhere to these terms.

"We looked at hiring a number of the big consulting firms. But it was evident from the beginning that they didn't have the expertise in IT contract management that Shura brings to the table." – Bruce Pinn, CIO, Element Financial

Need Help With Technology Contract Management?

We help the CIO's office maximize cost savings by renegotiating technology contracts in a post M&A environment.

Contact us today:

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[Schedule a Free Consultation](#)