

Mergers and Acquisitions Integration

Edgewater Technology Manages Complex Outsourcing Project for Acquisition

The Challenge:

Blackstone began building the Extended Stay Hotels brand by acquiring Homestead Villages LLC, an owner and operator of more than 100 extended-stay hotels in over 28 states under the Homestead Studio Suites brand. Prior to the Blackstone acquisition, Homestead Suites was a fully-owned subsidiary of Security Capital Group (SCG), which provided Homestead with both business services and systems to support its Finance, Human Resource (HR) and Payroll operations. Blackstone engaged Edgewater Technology to evaluate the impact of separating Homestead from SCG, define a strategy to replace business processes and systems as well as recommend solutions that would support Homestead's mission-critical business processes.

Blackstone had a strict 7-month window in which to complete the Homestead project due to the transition services agreement with SCG. Within this project window, the team had to evaluate and select outsourcing vendors, and implement the vendor solutions. During this same period, SCG had been acquired by GE Capital, which increased the project's risk. Edgewater determined the appropriate implementation date in order to allow sufficient time to resolve any implementation issues.

The project had a greater challenge - Homestead was required to physically relocate to a new facility, build-out a data center with internal and external networking and design and staff new internal departments.

"For this divestiture, we needed to set up our HR and Finance infrastructure in less than four months. Edgewater matched our need for speed as well as an uncanny ability to spot roadblocks before they can derail a project", said Bill Stein, Managing Director of Blackstone.

Objectives:

Blackstone's key objectives for the Homestead migration project were:

- Apply the most cost-effective solution and reduce operating expenses;
- Implement all required processes and systems prior to expiration of the transition services agreement;
- Minimize impact on current operational processes; and
- Reduce the need for additional staff.

The Approach:

Edgewater's role was to provide overall project management services, managing the two outsourcing vendor solutions to ensure complete integration at implementation, as well as coordinating the new facility build-out and internal department establishment. All these projects activities ran concurrently and needed to be completed by the 7-month deadline.

Edgewater performed an initial analysis of the Homestead business and technical environment to assess the impact of separating from SCG, and produced a proposed migration strategy. Once Blackstone/Homestead approved the strategy, Edgewater initiated the packaged application implementation using its methodology. The key elements of the approach were as follows:

- Perform business process and technology analysis on the operational areas affected by the separation from SCG, and inventory key business requirements, critical reports and required interfaces;

- Distribute Request for Proposals to Financial, HR and Payroll service vendors, and evaluate responses for final selection using Technology Evaluation and Cost Analysis Workbooks;
- Design business processes for operational areas that Homestead would have to build internally due to the separation from SCG;
- Outsource PeopleSoft Financials and HR applications to Corio and outsource payroll processing to ADP;
- Convert minimal data required for operations in the new environment (i.e., balances only);
- Propose data extract, transform and load procedures that minimized dependency on SCG; and
- Establish overall project management structure with vendors reporting directly to Edgewater, who maintained the master project plan.

Key Constraints:

- Hard implementation date due to SCG service agreement termination;
- Minimal skills managing PeopleSoft internally;
- Nominal data conversion due to time constraints;
- Remote AP functionality required at 111 properties; and
- Remote time entry functionality required at 111 properties.

The Results:

The implementation of Homestead Financial, HR and Payroll outsourcing was completed on schedule and within budget. Homesteads' environment is stable and operating independently of SCG prior to the formal termination of the SCG service agreement. Edgewater used its proven Merger and Acquisition and Packaged Application frameworks, coupled with its rigorous and expert project management expertise, to help Blackstone meet its goals for the Homestead separation.

Success Factors:

- Strong client sponsorship and commitment to the project;
- Solid client-vendor relationships;
- Minimal dependence on SCG for project activities;
- On-schedule implementation; and
- Controlled operating expenses post-implementation.

Technology Summary:

- PeopleSoft 8.4 - Financials and HR (Migration from PeopleSoft 8.0 Financials and 7.5 HR and Payroll)
- Corio Application Service Provider
- PC Payroll for Windows and eTime
- ADP Application Service Provider