Refinery Acquisition’s Key to Success: Technical Prowess, Business Sensitivity

Business Scenario
When well-executed, acquisitions can be a great way to expand a company’s operations, reach new markets and grow revenue. All major acquisitions involve a complex exercise of identifying and integrating systems and assets to optimize the combined organization’s resources.

Further, although acquisition activities are similar at a high level, there are significant differences from industry to industry and even from acquisition to acquisition. Industry knowledge and experience is the gating factor between a well-executed IT project that is completed on-budget and on-schedule and a project that drains resources unreasonably.

Client Situation
Our client, the U.S. subsidiary of a global oil and gas major, is a diversified downstream energy company with operations in petroleum refining, marketing and supply, and convenience store retailing. The company recently acquired a refinery from one of its competitors and needed to extract all the ERP data related to the refinery being acquired.

Our client also saw this as an opportunity to try out the SAP platform, leveraging SAP’s Industry Solution for Oil & Gas and potentially adopting SAP as its strategic ERP platform. Because the transaction was between two competitors, one of the over-arching requirements was to ensure that only data related to the acquisition would be extracted and shared and nothing more.

Challenges
Some major complexities of this program stemmed from the fact that the buying and selling parties were competitors; hence, all efforts to complete the acquisition had to be executed with the utmost caution and sensitivity. The key challenges were:

- **Difficult and complex data migration.** Specific data rules had to be applied for extracting only the contractually agreed upon data, without exposing any of the seller’s data outside the purview of the acquisition.

- **Integration complexities of the acquired refinery,** due to the transfer of only partial assets to the buyer and, hence, extra focus required for system configuration, business process understanding and data porting, without affecting assets retained by the seller.

- **Creation of a scalable landscape on the buyer’s side to achieve:**
  - Successful integration of the acquired refinery.
  - Development of a new framework to enable the client to migrate to the new SAP platform and operate successfully.
Other major challenges for executing the program included:

- An extremely aggressive schedule.
- External dependencies on the seller for:
  - Provision of master data and transactional history within tight timelines.
  - Limited downtime availability from the seller company.
  - Expensive transitional IT service charges.

Solution

Our approach for integrating the acquired refinery within the client landscape combined our long-standing technical expertise with our strong business sensitivity for the nature of the program. Our SAP consultants and SMEs traveled to the client’s plants to obtain a 360-degree understanding of the technical landscape and business objectives. For the technical aspect of the SAP migration, we leveraged proven ASAP and proprietary TSAP methodologies for executing SAP programs, along with our SAP IS oil expertise and specialized SAP consulting skills.

The team applied chosen tools and accelerators to extract, validate and test data, which helped meet business goals for this tightly scheduled and tightly scoped engagement.

For customer enablement and support upon completion of the program, we offered knowledge sharing and knowledge management techniques, such as the “train the trainer” method to establish a strong SAP knowledge base among the client’s staff.

One of the key considerations throughout the project was designing the new system so that the SAP instance could easily be extended to function as the client organization’s primary ERP. As part of this effort, we identified key functionalities that were not currently turned on, and made it possible for these to be enabled in the future.

Benefits

- **Early identification of gaps** through our workshop methodology and their proactive resolution, ensuring a timely cut-over and smooth transition.
- **Data accuracy** through the implementation of our proprietary SAP testing methodology, ensuring minimal issues post-go-live.
- **Strong process deployment** in conjunction with the seller’s IT partner to ensure complete confidentiality of the seller’s information that was unrelated to the acquisition.
- **Successful on-time completion** and smooth execution of the carve-out activities.
- **Easy extensibility** of the SAP framework design for the future, when the client is ready to leverage SAP as its primary organization-wide ERP.
- **Clear understanding of business benefits** for the client, achieved by leveraging features of SAP that were previously underutilized by the seller.

About Cognizant

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