Oil and Gas Major Successfully Splits into Upstream and Downstream Businesses

**Business Scenario**

The oil and gas (O&G) industry today is witnessing paradigm shifts in the global value chain, from supply, demand and infrastructure, through business economics and the competitive landscape. This is creating an environment for realignment and repositioning, resulting in greater acquisition and spin-off activity.

Integrated oil and gas companies, as part of strengthening their operating models, often consider separating their upstream and midstream/downstream operations, to realize tighter control on costs and a reduction in risks. Shareholder alignment has also enabled these companies to chart a course toward becoming stand-alone entities with clear, separate operations.

**Client Situation**

Such was the case with one of our leading O&G clients, which wanted to separate its upstream and downstream segments into stand-alone companies. In 2011, the company announced its decision to spin off its refining and pipeline business from its exploration and production business to create two independent organizations.

**Challenges**

As part of the spin-off, the company faced the following business challenges in separating its IT assets:

- **Extremely tight timelines.** The legal separation needed to be completed within 20 weeks of the announcement.
- **A need for strong coordination** with the stakeholders from the upstream and downstream businesses during the separation phase.
- **Requirement for a disciplined and dedicated program management approach,** as well as related tools and frameworks.
- **The ability to address large-scale contractual implications,** resulting from the split of hardware, software and vendor contracts.
- **The need to orchestrate communication** among stakeholders from the upstream and downstream businesses.
- **Resistance to change** and other organizational challenges brought about by a “people-focused” rather than a “process-focused” culture.
Solution

Our client engaged with us to provide guidance and advice in executing the IT separation program by bringing in the necessary skills, expertise and tool sets to achieve large-scale business transformation.

Our customized program management approach tightly aligned multiple stakeholders from business and IT to successfully split off related activities and provide a holistic view of the program’s progress against objectives to facilitate timely intervention by management.

To accomplish this, we focused on three key elements:

1. **Stakeholder management**: Identify the relevant people and plan their involvement.
   - **Stakeholder identification**: Sessions to identify who will need to be involved and how to contact them.
   - **Workshop planning**: Identify the appropriate resources for the different workshops.
   - **Issue management**: Identify issues related to stakeholders.

2. **Governance and control**: Understand the appropriate style of the program and the implications on key processes.
   - **Governance**: Agree on structure, lines of sight, cadence and “loose/tight” model.
   - **Control**: RACI, spans of control, accountability training, reporting format, approach and style.
   - **PMO**: Establish the infrastructure, processes and tools for an effective PMO.

3. **Project planning**: Obtain a clear view of the project’s in-scope and out-of-scope activities.
   - **Risks, issues and assumptions**: Identification and discussion of risks, issues and assumptions.
   - **Scope management**: Sessions to define scope.
   - **Dependency mapping**: Mapping deliverables across workstreams, according to dependencies.
   - **Planning**: Creating an integrated plan.

We have been repeatedly recognized as identifying with our client’s culture and being able to drive progress within the confines of the culture.

Benefits

- **Successful on-time completion** and smooth execution of the separation activities in a record time of 20 weeks.
- **Greater transparency** in separation processes and visibility into our progress to top management.
- **Better coordination** among various stakeholders from the upstream and downstream businesses.
- **Reduced resistance** to change and newer advice and ideas.
- **Proactive monitoring of issues, risks and dependencies**, which helped our client obtain visibility and effectively manage the program against the plan.
- **Project assurance** by implementing an independent challenge and assurance function that helped identify and resolve key issues of common concern across the project and support individual projects.
- **Governance and organization** by ensuring projects were properly set up for success and benefits were clearly articulated. Implemented a mechanism to effectively govern the program and drive it toward success in areas like reporting, meetings, change management, dependency management, etc.
- **Benefits management** by planning and tracking the delivery of benefits arising from

Scope of PMO Services

![Figure 1](image-url)
PMO Toolkit

- **Program Mobilization**
  - Program and project charters
  - PMO runbooks
  - Resource planning and budgeting
  - Governance and TORs

- **Planning and Scheduling**
  - MSP workstream and project plans
  - Mid-level program plans
  - High-level executive plans
  - Eight-week look-aheads

- **Dependency and Change Management**
  - Dependency logs
  - Change control processes
  - Change control templates

- **Risk and Issues Management**
  - Risk and issues (RAIDS) logs
  - Governance and escalation procedures

- **In-house PMO toolkit**, including various tools and templates based on best practices and past experiences (see Figure 2).

- **Trusted and neutral partnering**, offering advice on various aspects of the separation.

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About Cognizant

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