

# IT SOURCING JOURNEY



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For Oil & Gas and Mining Super Majors

More mature IT Organizations within Oil & Gas and Mining Super Majors are transitioning away from external Managed Services arrangements to a more comprehensive and capability-driven in-house IT sourcing model. It has become apparent that this metamorphosis is quickly rewarding its early adopters.

# IT Sourcing Journey

## FOR OIL & GAS AND MINING

### A METAMORPHOSIS

For many years, organizations have recognized the importance of outsourcing processes, activities and functions as a means to improve efficiency, lower costs, minimize risk, increase flexibility and quality.

Within the IT domain, IT outsourcing has typically evolved through the following models:

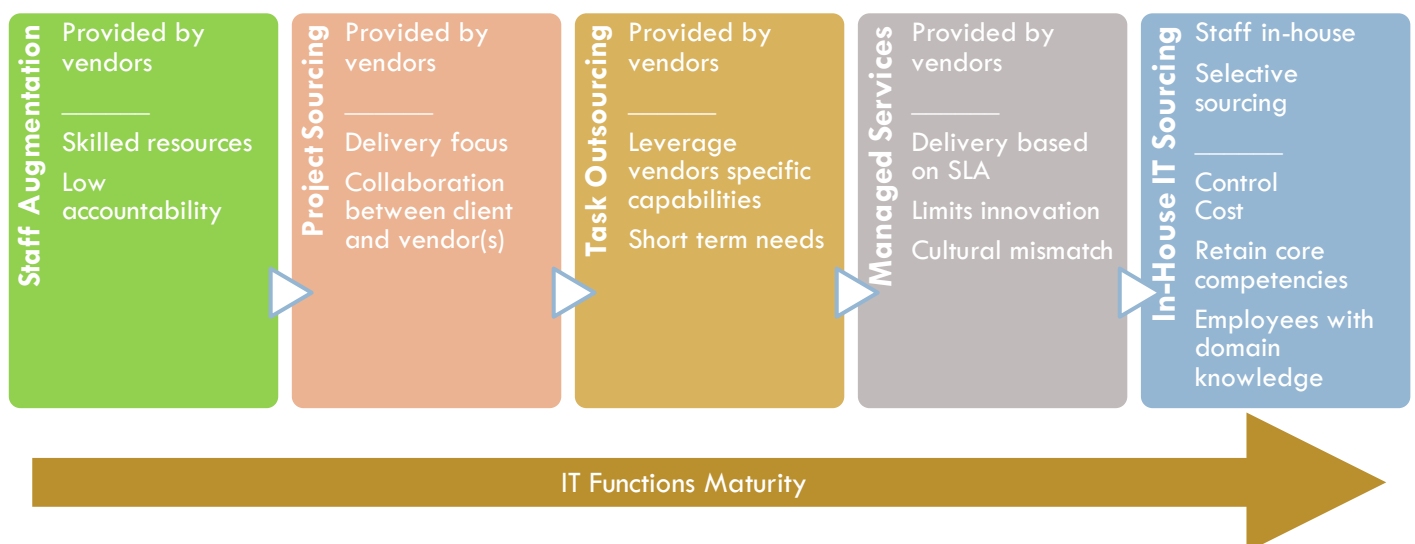
1. Staff Augmentation
2. Project Sourcing
3. Task Outsourcing
4. Managed Services

### Rebalancing and Winds of Change

Against a tide of increased IT Outsourcing and Managed Services arrangements in the industry, a handful of Oil and Gas Super Majors have begun, in recent years, a paradigmatic shift to build their IT organization capability and, in turn, reduce their dependencies on large IT consulting and service providers.

Rather than embracing a full IT Outsourcing/Managed Services strategy, these organizations began to methodically reclaim their IT function internally, rebuilding lost expertise in-house and undertaking in-sourcing projects. Today, the shift to return selected IT capabilities in-house is seen to have yielded many strategic values and critical competitive advantage to these organizations.

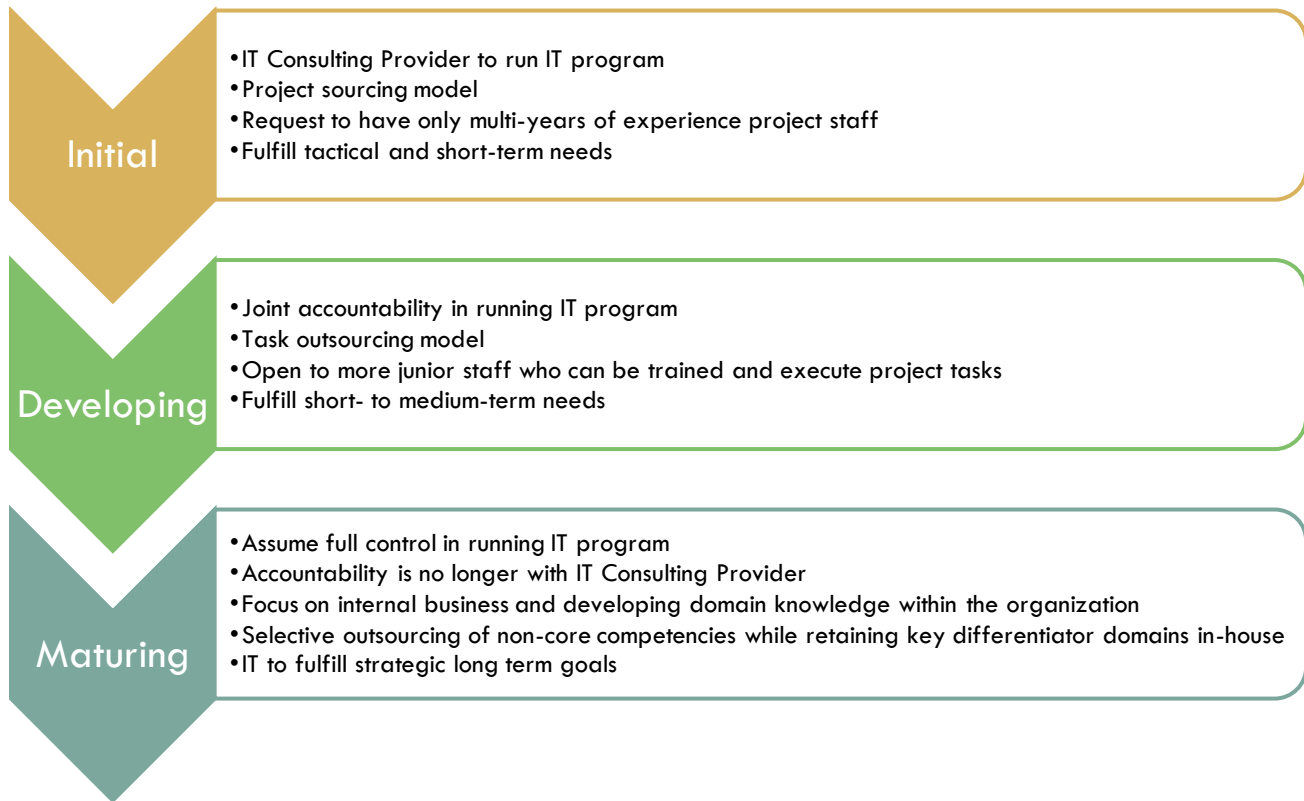
Most value can be derived from in-sourcing strategic and core IT functions, leaving non-core capabilities such as ABAP/BI developments and Infrastructure management to external providers. This shift indicates a rebalancing of the IT outsourcing model as more IT organizations mature and develop from a non-core support function to a core business competency in the overall organization.



## IT Consulting Service Rules of Engagement are Changing

The use of IT consulting providers has, in the past, enabled significant productivity improvements through resources, processes and skills that are well advanced when compared to the in-house IT department. Such value and needs, however, are fast changing with maturing IT organizations.

The diagram below shows a typical journey of IT sourcing requirements from clients to IT consulting and service providers:



As IT organizations evolve to respond to different sets of challenges at varying stages of maturity, so do their expectations from the IT consulting and service providers.

At the higher end of the maturity level, IT organizations seek to develop a more conscious strategy to derive and optimize the value of IT. By taking control of their IT functions and reducing reliance to the outsourcing / Managed Services model, the organization stands to gain an increased capability to drive innovation, improve speed to market and simplify processes -- benefits which otherwise would not be achievable when key functions and knowledge are outsourced externally and bound by complex contracts, SLAs, geographical locations and cultural differences.

With in-house IT teams, the organization drives the IT programs at their own pace and creatively relying on external providers only to fill fluctuating gaps for services in selected non-core IT capabilities.

**In a maturing IT Organization, IT Consulting and Service Providers are facing more challenges in meeting client's expectations.**

## Focus On Selective IT Internal Capabilities

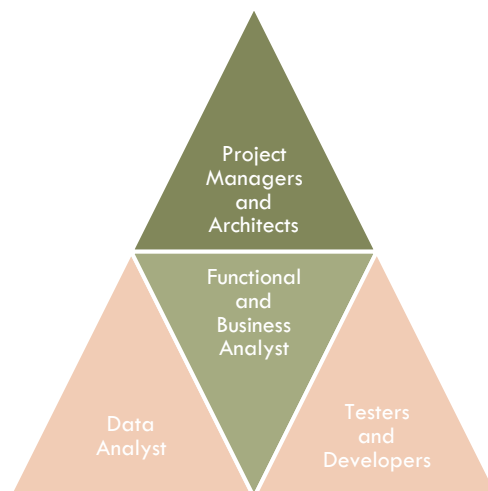
As the maturing IT organizations within some Super Majors lean towards internal control, it has been observed that benefits are more apparent when management chooses to focus on selected IT internal capabilities as opposed to developing a full-fledged in-house IT organization.

The largest return is often derived by focusing on building core competencies that are enablers to innovation and drivers to competitive advantage in the industry. For such organizations, they want to selectively invest and grow their internal IT teams in core capabilities such as:

- Strategic Planning, Program/Project management
- Process/Design architecture
- Technical architecture
- Business Analysis

Developing a strong in-house process team, for instance, makes sense as the nature of the work requires closer interaction with business users and a solid understanding of the organization's internal processes and deep industry knowledge. Investing early in such teams often leads to greater innovation in business processes and increased speed to market for new products by leveraging IT.

Project work stream resources in the areas of data migration, testing and development, on the other hand, often do not provide any strategic differentiator. While such non-core competencies can remain in-house with the IT organization, there are extended benefits in managing these functions through staff augmentation or other sourcing options.



Maturing IT Organizations focus on two segments that construct a diamond shape in the diagram on the left

**The returns are much larger when IT organizations grow their internal IT capabilities selectively**

## An Agile IT Organization

An IT organization with high maturity and capability level has more flexibility to mix and match the type of outsourcing it requires against the activity it wishes to achieve. A hybrid sourcing approach will enable the organization to fully tap into the benefits of outsourcing while keeping their key capabilities in-house.

A sample scenario may take place in this manner. In maintaining the diamond-shaped IT Capabilities, key internal IT resources will be actively involved to contribute and learn in various internal projects rather than being assigned to support work. Backfills or temporary resources in this period are required to ensure minimal disruption to production support environments. In time, along with the project completion, the key internal project resources will resume their support mode with up-to-date functional and technical knowledge that they developed during project execution.

The right sourcing mix is key to achieving a comprehensive and capability-driven in-house IT organization. The IT organization can utilize the option of staff augmentation to quickly fill the fluctuating resource gaps without giving up their internal controls in areas that matter.

**A hybrid sourcing approach will enable the organization to fully tap into the benefits of outsourcing while keeping their key capabilities in-house.**

### About the Author

**PS LIM** has seventeen years of experience in system implementation projects (custom and ERP).

Having a comprehensive experience in system design, development, data conversion/cutover, and testing; specialized in data and project management. PS was actively involved in global/regional SAP implementations for the following regions: Asia Pacific, South America, Caribbean and Central America, North America, and Africa. Major clients include Oil and Gas super majors such as YPF, ExxonMobil, Shell, and Chevron.

PS established Ascentia Consulting Pte. Ltd. in 2010 as a niche consulting player in SAP Data and Test Automation. He started a consulting practice and develops the company as one of SAP SI Partner in Singapore.

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## ASCENTIA CONSULTING

Ascentia Consulting offers a mix between consulting and agency services with a staffing structure of 30-70 for permanent vs contractual arrangements. This mix model will be able to address demand fluctuation better while keeping a strong network of contractors to support maturing IT Organizations.

### Staffing Model

Ascentia Consulting offers the following staffing mix:

- Specific Project Roles: independent contractors
- Resource Backfills: internal resources and independent contractors
- Data, Testers, and Developers: internal resources

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## ASCENTIA Consulting

Optimizing your IT consulting budget

We are a network of experienced IT practitioners coming from IT Consulting firms and Oil & Gas Super Majors. Our strengths and past credentials are built firmly in large scale ERP deployments for Oil & Gas Industry specializing in Project Management, Testing, Data Quality Management, Deployment and Production Support

For more information, contact [asc@ascentia-consulting.com](mailto:asc@ascentia-consulting.com)

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