Hess Corporation: Managing individual divestments to three buyers on separate timelines
Hess Corporation sought to divest their US$25 billion downstream businesses and become a pure play exploration and production company, a move that would involve the sale of three businesses to three different buyers on independent timelines, all leveraging separate transactional structures. Working together, Hess and Accenture supported the delivery of separated and stable assets, including systems, infrastructure, data, and people, allowing Hess to meet the obligations to the buyers for each legal close, while generating approximately US$6 billion in additional capital for the company.

Client profile
Hess Corporation (Hess) is a global independent oil and gas company, headquartered in New York, and with operations located around the world. Hess explores, produces, and transports crude oil and natural gas. Through recent divestitures, Hess has transitioned into a pure play exploration and production (E&P) company.

Accelerated by an Activist Investor Hedge Fund, in March 2013 Hess announced their intention to fully divest their US$25 billion downstream businesses and become a pure play E&P company, a transformation that would provide Hess with a focused portfolio of higher growth and lower risk E&P assets. To support the divestiture of Hess’ downstream businesses (Energy Marketing, Terminals, and Retail) and ease the transition to three different buyers, Hess was working to separate the technology, processes and workforce of the downstream businesses from its organization.

Opportunity
Hess’ downstream divestment involved the sale of three businesses to three different buyers, on independent timelines, all leveraging separate transactional structures. This challenging endeavor—coupled with Hess’ requirement to deliver stable IT assets to the buyers as well as maintain their own safe and compliant operations—called for additional support from external advisors.

Similar to other integrated global energy companies, Hess was also challenged with highly complex integrated IT systems and business processes. The divestment would require carving out financial transactions between newly sold business units and Hess, thus creating a need to consider different separation methods for areas such as accounts payable, and accounts receivable, as well as the overall ERP carve out strategy. The financial close deadline added another layer of complexity to this process.

For help in planning and executing the IT carve out of its downstream businesses, Hess turned to Accenture. Several factors influenced this decision, including Accenture’s long-standing relationship with the client, its experience leading similar separation efforts at other energy clients, and its field-tested ability to bring large-scale merger and acquisition (M&A) experience, strong project management, change management, and IT systems integration capabilities to projects of this scope and complexity. Together with established methodologies, cross-disciplined teams and deep industry knowledge, the Accenture team was well equipped for delivering results across Hess’ Divestiture Program. Previous experience in downstream divestitures at an oil and gas supermajor would prove invaluable for this journey with Hess.

Solution
Building the right team with the best of Accenture
To help meet the challenges presented by Hess’ downstream divestment, Accenture turned to a team of highly capable, cross-discipline professionals from Accenture Strategy and Accenture Technology. Given the complexity of three very different downstream businesses, project success would require the collective knowledge of more than 60 individuals across Accenture—individuals with deep experience in M&A, IT strategy, energy, and talent and organization. Beyond this, the unique challenges of these divestments also called for niche experience in SAP, Microsoft and Infrastructure services. With easy accessibility to a wealth of subject matter advisors in Accenture and its affiliate Avanade, the team was quickly able to bring on SMA’s in SAP, Cloud, SharePoint, Exchange, Lync, Citrix and Active Directory. Accenture collaborated with the Hess’ team to embark on a successful journey to complete the divestitures.
Journey through delivery

At the onset, a small Accenture team comprised of advisors shared knowledge and introduced key concepts to educate Hess on common divestiture lifecycles. This team quickly grew to encompass multiple facets of delivery. The Accenture team then collaborated with Hess to establish a robust IT project management office structure with standardized processes and deliverables for governance, status reporting and communication across three divestment programs with shared stakeholders.

A matrix project organization structure was established to allow for shared work streams across the three divestitures. Key aspects of the work streams included:

- **Non ERP Applications**: Each divestment was staffed with an application team responsible for understanding and implementing transition requirements for multiple applications involving Energy Marketing, Terminals, and Retail.

- **Transitional Service Agreement**: Working with leadership, the transitional service agreement (TSA) team established timelines and provided cost and pricing analysis coupled with TSA exit strategies.

- **Infrastructure Services**: Accenture Infrastructure Services helped Hess develop and deliver the strategy for environment separation, application migration, network design, and device de-branding.

- **ERP Applications**: To support the SAP-based financial backbone of the organization, SAP experts designed and led a complex clone and carve-out strategy of the client’s ERP system to ensure Hess and the buyers could continue to consolidate their financial reporting and achieve a successful financial close.

- **Data Management**: The migration and retention of unstructured and structured data was handled by the data work stream; this included understanding the data landscape and working with legal to build a data management and cleansing process.

- **Deployment**: The testing and cutover team managed the execution of three divestment programs with overlapping integration testing, mock, UAT and cutover timelines.

- **Change Management**: With the expertise of the change management team, the retained business and transitioning user base (including both headquarters and remote user locations) was equipped with training sessions, materials and timely communication of changes throughout the program.

Following the transition of IT assets and services to the buyer, a robust post cutover (or ‘Hypercare’) strategy was implemented to quickly address user issues and ensure a smooth transition to the buyers.

**Results**

With Accenture’s help, Hess achieved its goal of becoming a pure play E&P company by successfully divesting its three downstream businesses. Hess and Accenture supported the delivery of separated and stable assets, including systems, infrastructure, data, and people, allowing Hess to meet the obligations to the buyers for each legal close, while generating approximately US$6 billion in additional capital for the company. In total, the scope of Hess’ downstream divestment included:

- **Energy Marketing**: US$6.0 billion annual revenue, with 23,000 customers divested for US$1.2 billion.

- **Terminals**: US$7.1 billion annual revenue, with 39 million barrels capacity across 20 terminals divested for US$1.75 billion.

- **Retail**: US$13.0 billion annual revenue across 1,300 sites divested for US$2.87 billion.

With the divestment of the three downstream businesses, Hess can now focus on their upstream business, allowing them to center their capital on higher margin assets to drive increased growth with less risk.

Following the successful divestitures, and in alignment with the Divestiture Playbook, Accenture assessed Hess’ remaining corporate IT infrastructure and launched a corporate systems program to consolidate Hess’s IT portfolio and reduce the overall IT cost to serve.
"Our collaboration with Accenture was integral to the success of The Downstream Divestment program," said Hess Director of IT. "Accenture's capabilities and experience in downstream divestitures established their credibility and their senior leaders played critical roles for us. Our strong relationship allowed for open dialogue, leading to better solutions, and was instrumental in completing our objectives."
About Accenture

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