# Transformation Oil and Gas Company: Changes and Benefits

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**Abstract:** This paper is devoted to the study of the current problem of transformation process within the group of companies of NC "KazMun ayGas" JSC in the conditions of industrial and innovative development of the Republic of Kazakhstan. The authors developed an algorithm for transforming an oil company, consisting of ten main stages: from identification of the causes and prerequisites for the transformation through developing goals and forecasting transformation success factors to the building a plan for the implementation of the transformation program. A special attention is paid to the development of a transformation program. In the beginning, team experts analyze the existing business processes. Then they should draw up a new model of activity and target processes. At the end, the process of distributing powers, roles and areas of responsibility can be carried out. The novelty of the work lies in the development of proposals to the methodology of the transformation process, combined in a single methodical complex, as well as its practical implementation with reference to particular project.

## 1. Introduction

KazMunaiGaz (KMG) is a vertically integrated oil and gas company. Its activities cover areas from exploration, production, transportation and processing of oil products to retail sale of oil and gas products to the final consumer. KazMunayGas is a national company. It represents government's interests in the oil and gas industry of Kazakhstan. 90 percent of its shares are owned by JSC "National Welfare Fund" Samruk-Kazyna ", a holding company managing state assets.10% by National Bank of Kazakhstan.

According to the KMG's Development Strategy for 2016–2025, the main strategic goal of the Company is to maximize shareholder value by increasing long-term value of assets and to contribute to the modernization and diversification of the national economy.

The mission is to ensure maximum benefits for the Republic of Kazakhstan to participate in the development of the national oil and gas industry by:

- Increasing long-term value of KMG, rising profitability, ensuring safety;
- Establishing as an integrated oil and gas company competitive in the international market;
- Following socially responsible business practices, to support domestic suppliers of goods, works and services, developing local cadres.

KMG has 40 subsidiary production and non-production (sub) organizations in 5 areas of business activity of KMG: exploration, production, transportation, oil and gas processing and oil service. The total number of workers in KMG group of companies is about 70 thousand workers in Kazakhstan and about 7 thousand people in 11 European countries.

Ambition of the company is to become one of the thirty largest oil and gas companies in the world, by increasing volumes of oil production to 35.4 million tons per year, liquid hydrocarbon reserves (oil and condensate) to 1 413 million tons in 2022.

In situations where the price of oil can sometimes extremely decrease to nearly 29 dollars per barrel, the cost of production in different oil fields varies from 27.8 to 60.5 dollars per barrel, and labour productivity is twice times lower than in the comparable oil and gas companies in Russia, the company must react to such challenges of the world market.



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Implementation of these changes is impossible without a detailed analysis of existing processes and without transformation, fundamental re-engineering of the processes (first processes of the orporate centre, and then the processes of production subsidiaries).

The transformation program is aimed at achieving targeted effects in the short term and, first of all, includes a set of interrelated activities and projects [10]. A comprehensive program of business transformation includes a full cycle of transformations: from changing the management system, developing a strategic vision, setting processes and developing key performance indicators (KPI), implementing information technologies, and managing the changes and achievements of the final result with the client [1]. Thus, transformation programs involve working out the organizational, methodological, technological aspects of strategic transformations, and managing the transformation program itself.

To achieve the effective development of the company, first of all, it is necessary to develop correctly, without negative effects, so the question immediately arises of the proper management of changes so that the company can adapt to the changing requirements of the market and the global economic situation as a whole.

There are many different models of change management, such as: ADKAR model, Accelerated Implementation Methodology (AIM), Beckhard and Harris change management model, William Bridge transition model, John Cotter change model, Kubler-Ross model, Kurt Levin model [4].

ADKAR model is a change model that can be used to manage changes in business teams and other social groups, includes planning for change management, diagnosing deficiencies and failures in implementing change management, and their subsequent correction.

AIM implies a detailed description of the tasks performed during the project, indicating the sequence of their implementation and the responsible roles of the project team. The disadvantage of this methodology is the preparation and approval of a large number of documents leads to an increase in the project team / extension and increase the duration of the project.

Beckhard and Harris model implies a high level of dissatisfaction with the current situation, a desire to make the proposed changes or achieve the final state, understanding the practicality of the changes, the implementation of which will outweigh the cost of the changes.

The advantages of William Bridge Model are following;

- Allows you to determine the impact of personality changes on organizational changes;
- "Transition" allows you to more deeply understand the emotional behavior and psychological problems of employees during organizational changes;
- The employee does not change, but switches to a new way of working consciously.

Having considered the possibility of applying the above change management models to various types of transformation of organizational structures for oil companies, we came to the conclusion that the ADKAR model can be partially considered as a tool for mergers or acquisitions, as this model allows you to focus not on tasks, but on the final result. The John Cotter model can be used for organizations of any size, but, nevertheless, this model is not applicable to merger, separation and transformation, since it requires certain sequential steps to be implemented. The Kubler-Ross model can be partially used to merge and transform the company, but for the merger and separation, the model is too simple, which means that it is possible to skip the necessary steps.

A special place among the methods of using indicator systems is occupied by the balanced scorecard developed by American scientists R. Kaplan and D. Norton [12].

The theoretical aspects of transformation and restructuring are studied by the following Russian authors: N.V. Raevskaya, I.V. Zudenko, A.V. Pavlovskaya, E.M. Korolkova, Yu. N. Zabrodina,

V.V. Kurochkina, V.D. Shapiro, N.G. Olderogge, I. I. Masuria [13]. A review of current views on the restructuring process is required to ensure this process in the modern industrial complex.

## 2. Methodology

System transformation also involves changing the organization of remuneration, creating a system of performance indicators (of the enterprise as a whole and its units), and determining the development strategy of the enterprise [6]. Transformation may also involve the development of a system to prevent the loss of sales markets, the transition to tight cash flow management, the creation of conditions for innovative activity (the more innovative ideas, the more stable the position of the enterprise). At the same time, it is necessary to work on maintaining the image of the company,

restructuring the information system, computerizing management, changing the personnel policy, training personnel to behave in a market environment, reforming the organizational culture, etc. Changes should be treated as a way to maintain stability in a changing market picture. Transformation can be carried out in 1.5–2 years with competent reform management.

The algorithm for the transformation of the oil company includes the following.

Identification of the causes and prerequisites for the transformation. The reasons for the transformation of oil and gas companies, in turn, depend on the development strategy of the enterprise [3]. There are three main strategies:

- Defence from deteriorating market conditions, from unwanted takeovers (as a result of protection – mergers, acquisitions, acquisition of missing technological advantages);
- Active strategy (attacking) – the acquisition of technological advantages, financial strength, managerial talents,
- Combination of defensive and attacking strategies.

There are various prerequisites for transformations, such as: material; socio-psychological; organizational; informational; expectations, knowledge and activity of people.

The main reason for the transformation of the enterprise is usually the lack of efficiency of the company due to non-compliance of the business, changing market requirements. The consequence of this situation is unsatisfactory financial performance, lack of working capital, a high level of receivables and payables.

Identification of areas of transformation. The range of choice of directions can be very wide, both from small units and to large areas. For example, areas requiring change may be: accounting, tax, management accounting and reporting; the treasury; business planning and budgeting; human resource management; strategic planning and performance management; investment and project management; supply chain management; labour and environmental protection, industrial safety; information technology, etc.

The choice of directions depends on the life cycle of the company, its structure, development strategy and the goals pursued. Therefore, the choice of directions is an individual step in each oil company.

Identification the need for rapid implementation. If the situation requires a quick implementation of measures, then proceed to step 4. If the situation does not require urgent interventions, then analysis should be continued to identify areas that require attention and the transformation process.

The main objectives of the development of the oil industry in market conditions are the stable, uninterrupted and cost-effective provision of internal and external solvent demand for oil and its refined products, stable tax revenues to the state budget, as well as the generation of stable solvent demand for the products of related sectors of the country's economy (manufacturing industry, services, etc.) [8].

The current state of the fuel and energy complex and the oil and gas sector is characterized by an increase in the share of hard-to-recover reserves due to the depletion of existing fields. This situation leads to a deterioration in the conditions for the economic growth of oil and gas companies, often accompanied by a decrease in the efficiency of operations and a high level of dependence of their results on the situation on world oil markets and the level of prices for oil and oil products. Thus, depending on the current situation in the company and its problem areas, directions are identified that require immediate intervention and the application of certain measures [5]. The urgency of resolving these issues is decided exclusively by the management of the company, depending on the objectives pursued.

Developing goals and forecasting success factors for transformation. A detailed study of this item will allow the successful implementation of the transformation program. The success factors of the transformation program will directly depend on the goals that the company pursues. In most cases, the goal of transformation is to increase the degree of maturity of business processes. It brings several related positive effects, for example [2]:

- Design and development of processes are carried out from a single centre, while duplication of work and redundancy of resources are excluded;
- The uniformity of processes (which, as a rule, is accompanied by a reduction to a single format of data and IT systems) facilitates management on the basis of common KPIs and comparison of work results both between departments and other enterprises of the industry;

- A high degree of readiness is created for bringing processes to execution by external suppliers (outsourcing);
- Part of the target opportunities relates to the company's culture: security, the interaction of services and divisions, and the adoption of changes. Often, these “cultural” opportunities (for example, a positive perception of change) are important for the implementation of the transformation. It is important to identify and develop them before you start working with complex projects – changing processes, structure, mergers and acquisitions, and other dimensions of transformation.

The selection of staff in a team of employees to develop a transformation program. The organization can use external and internal sources of staff recruitment using recruiting companies or a direct search in the company's staff for business areas. When hiring company candidates, it is important to consider the basic work of employees and the work related to the development of transformation. Since it is likely that the combination of work will put an excessive burden on employees, due to which the planned volumes of work will not be performed.

Formation of a team of employees to develop a transformation program. After the selection of personnel in the team, the formation of the team structure, team composition, etc. At this stage, the management structure of the company's transformation program is also determined.

Clarification of the directions of transformation. After the formation of a team of employees to develop a transformation program, it may become necessary to review areas requiring changes. If there is no such need, then the existing directions are approved, and the transition to the next stage is underway.

Development of a transformation program.

At this stage, a program implementation plan is being developed, its terms, steps, etc.

After building the scheme for implementing the transformation program, one should proceed with the implementation of the transformation program based on the implementation scheme.

Further, we consider a detailed algorithm for developing a transformation program for oil companies:

- Team experts analyze existing business processes, study their advantages and disadvantages.
- Team experts form a new target model of activity and target processes in the enterprise based on the results of the analysis of existing business processes.
- A roadmap of the transformation program is formed.
- A matrix of responsibility and distribution of the main processes is compiled. This matrix describes the process, its executors, process performance indicators, input-output data, identification risks, assessment criteria, etc. Further, the levels of the processes of the matrix of the distribution of zones and responsibility, i.e. levels and their sequence are described. These processes may focus on strategic or operational planning.
- Based on the matrix, a catalogue of target processes of all levels is developed. This catalogue describes each stage and its order of execution. Then there is a sequential allocation of all processes: 1st level, 2nd level and 3rd level. If after the 2nd level there are processes of the 1st–2nd level, then first of all, one should begin to isolate them, and only then one should begin to isolate the processes of the 3rd level.

The essence of the process approach when describing a system consisting of their levels is to "see" the processes that make up the organization. The description of the enterprise process architecture involves the use of a strict hierarchy of levels of process detail. The methodology determines the scope and purpose of the description.

So, the process of level 0 defines the “conceptual level”, that is, it is intended for the broadest possible definition of the boundaries of the enterprise in the main (in business areas) processes (general business management).

1st level of the group is the level where processes are identified to describe the top-level content of each main process and to determine cross-functional interaction across a group of companies (for example, business planning, strategic planning, etc.).

2nd level of processes is the level of the Company (that is, the aggregate name of its subsidiaries

and affiliates) intended to describe typical management stages and end-to-end processes in terms of substantive content and / or accumulated experience in performing various administrative functions of the enterprise

3rd level is the level of structural divisions, which is designed to describe various scenarios of interaction between structural divisions of an enterprise.

- Experts distribute powers, roles and areas of responsibility. At this stage, the levels of those responsible for the implementation of these levels are listed, etc. The process of distributing powers, roles and areas of responsibility can be carried out using various methods and matrices, for example, the RACI (Responsible–Accountable–Consulted–Informed) matrix.

## 3. Discussion

### 3.1 Analysis of Transformation Success Factors

In order to effectively implement KMG Development Strategy, the Company's operating model will continue to form. A program of transformation has been launched based on the creation of integrated business areas (units). In general, the overall corporate KMG development, including the development of business functions, consists of several phases. KMG's transformation program includes the following areas [9]:

- Optimization, standardization and harmonization of business processes;
- Improvement of the management system by introducing and maintaining operational systems in accordance with international standards (ISO);
- Establishment of an effective methodological base for operating activities;
- Creating a common information space (including a system of complex material and information flows), automation of business processes with the use of advanced information technologies;
- Improving the efficiency of activities through the introduction of performance indicators in each process and conduct systematic measurements of both the operational and top management level;
- Creating an optimal reporting system based on efficiency;
- Creating a corporate culture of continuous improvement, flexibility and innovation;
- Creating optimal organizational structures based on the distribution of powers of the matrix (matrix structure), including strengthening cross-cutting functions, optimization of repetitive functions among assets, and reduction of administrative levels;
- The centralization of individual functional.

None of these transformations can be realized without the formation of a new human resources management system. The company must take the initiative by: 1) introducing a transparent system of evaluation and reward with an effective binding remuneration for collective and individual labour results-oriented strategic objectives and indicators of KMG; 2) developing professional and personal (business) staff competencies to achieve strategic goals and objectives of KMG; 3) ensuring social stability and the monitoring of social tension in places of the presence of KMG group of companies.

Target business model of KMG is to be a high-performance oil and natural gas production and transportation company with a strong focus on activities in Kazakhstan with the potential to expand the business to near countries.

The implementation of this model includes a restructuring of the existing portfolio:

- Careful exit from the business in the sector of processing and marketing, including complete or partial invasion to the refinery and retail network;
- A complete or partial withdrawal from the retail gas business (such as having a high social burden on business);
- Dropping off the oilfield and non-core assets with the exception of high-tech assets;
- Partial or full presence in business outside of Kazakhstan, including KMG International in the short term;
- Dropping off the assets included by the Government of Kazakhstan, in the list of companies to be privatized.

In the beginning of 2016, KMG adopted a strategy, which identified 3 key areas: 1) Strengthening the financial position of the company in the short and medium term by capital constraints and improving operational efficiency; 2) Formation of the target business model taking into account the privatization program; 3) Strengthening the role of KMG as a key player in the oil and gas industry of Kazakhstan (long-term effect, which is of great importance for sustainable development).

In this regard, the leadership of JSC "Samruk-Kazyna" (hereinafter referred to as Samruk- Kazyna) decided on the implementation of the transformation program. In September 2014 the program was presented to the leadership of our country and approved by them. To date, 6 portfolio companies of Samruk-Kazyna are involved in the program. KazMunaiGas is in this list.

Thus, in accordance with the September 2014 KMG shareholder resolution on the implementation of the transformation program for KazMunayGas, KMG project office has been established in the name of the subsidiary Global KMG-Solution. At the initial stage of implementation of the transformation program was entrusted to the Deputy Chairman of the Board of Corporate Development and experts of the corporate center from various departments were recruited for the working group. As it turned out, combining work on the implementation of the program, while dealing with current responsibilities, was not sufficiently effective solution. That is, workers involved in the transformation of the program, were not released from the usual work, they have been unduly stressed and hence did not fulfill the program on time and did not produce a right result.

This working group initially defined 9 areas of the Corporate Center, which, from the point of view of the company's management, require the most attention and rapid change. The corporate functions of transformation perimeter entered through KMG management processes also affect the organization of KMG group of companies: Accounting, tax, management accounting and reporting; Treasury Department; Business planning and budgeting; Human Resource Management; Strategic planning and performance management; Investment management and project management; Supply chain management; Occupational and Environmental protection, industrial safety; IT.

Therefore, it was decided on the secondment of the leading specialists / experts in these areas to the project office transformation – KMG-HS. The project office for the transformation has also invited experts in various fields from international companies with experience in the transformation of the leading oil and gas companies (mostly Russian). In 2015, the project office has designed a Charter for transformation of business functions, defined the objectives of transformation and the key success factors for the implementation of the transformation program.

### 3.2 Implementation Decisions

In accordance with the Charter for business functions transformation (hereinafter the Charter), coordinating bodies were created in the corporate centre of KMG: the modernization of the Board, the Steering Committee for Transformation and Functional Committees in different areas of KMG activity. Figure 1 shows the transformation program of management structure of KMG business functions (BF).

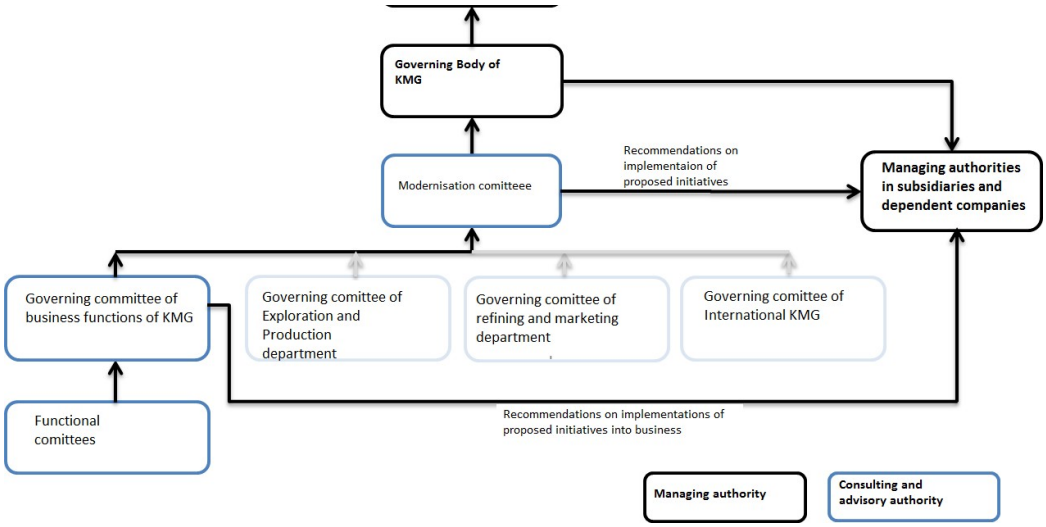


Figure 1 Transformation program of management structure of KMG business functions

BF Transformation Program Team consists of three components: 1) Head / Co-Head of the BF transformation program; 2) Employees of the BF transformation team (seconded from the group of KMG and external experts); 3) Consultants.

Teams formed with accordance to business functions, seconded workers from KMG group of

companies were appointed as functional managers in certain areas. Personnel for the implementation of the transformation program had certain criteria to fulfill. Among them was work experience in the KMG group of companies, as well as developed communication skills. According to the plan, different experts will be involved in various stages of implementation of the program. Work teams began from analyzing the current situation and making recommendations for changes. This work took almost a year, because of changes in the perimeter included all business areas of KMG's activities.

Initially 13 priority processes have been defined and included in the program of transformation of corporate functions, these are: strategic planning and performance management; budgeting and business planning; management accounting and reporting; accounting and reporting, tax accounting and reporting; corporate finance; treasury; investment management; project management; procurement management; labour and environmental protection and industrial safety; human resource management; information technology.

The transformation program includes a paradigm BF SDCs, where KMG has a decisive influence on decision-making through direct or indirect ownership of shares / participating interests at the time of launch of the transformation program, and it is about 220 companies with different forms of ownership.

The perimeter of the transformation program of KMG for the first stage includes the following sub-holdings of KMG: JSC “Exploration Production “KazMunayGas”; JSC “KazTransOil”; JSC “KazTransGas”; Company “AktauNefteServis”; JSC “Mangistaumunaigas”; Open Company “Operating Urikhtau”; KMG International N.V.; JSC “KMG-processing and marketing”; Company “NMSC “Kazmortransflot”; Company “Research Institute of mining and drilling technologies “KazMunaiGas”.

Tools, roles and responsibilities of the program have been defined. After defining the objectives, resources, the perimeter, the key success factors for the transformation project office has developed a roadmap for transformation and started implementation. It is currently situated at the "Stage 1" - "Diagnosis and Design". Team experts are analyzing the existing business processes, form a new target business model and target processes at the KMG enterprises. KMG's Board of Directors approved a roadmap of transformation program.

Project office KMG-HQ involved PricewaterhouseCoopers consultants in this work. In describing the processes of the central apparatus of KMG Methodology for Samruk-Kazyna process description of portfolio companies of Samruk-Kazyna has been used. As part of the operation of an integrated management system processes (ISO) have been developed: landscape map management processes of the central office of KMG and the matrix of responsibility and the distribution of basic processes of KMG.

Working Group, composed of key personnel included the business functions of the corporate centre, conducted a preliminary analysis (as per Kurt Lewin’s model) [4] of the "as is" and recommendations on "how to be", that is taking into account the best practices of leading companies. By the results of the analysis, a list of processes of 1st, 2nd and 3rd level of the corporate centre was prepared with the assignment of key performance indicators and it was determined that it is viable to make the routine functions as a separate asset – General Service Centre – GSC. This method of outsourcing is a vivid example of the application in practice of the process of restructuring and concentration of KMG resources and forces in core activities, and supporting auxiliary and other routine functions of another organization.

The 0-level process has been defined as "conceptual level", that is designed for the widest possible definition of the boundaries of the enterprise in the major (by line of business) processes, (general business administration).

1st level group of identified processes of higher-level description of the content of each of the main process and the definition of cross-functional interaction of the group of companies (such as business planning, strategic planning, etc.).

2nd level of processes is the company’s level (i.e., the total KMG's name and its subsidiaries) - is intended to describe the typical administrative steps and cross processes in terms of subject content and / or experience performing various administrative functions.

3rd level is the level of structural units, which is intended to describe various scenarios of interaction between structural divisions of the enterprise.

Modelling of processes should be carried out in accordance with the Deming cycle PDCA (planning, execution, monitoring and control, improvement). Description of the processes' model is carried out based on the principle of top-down, in which the description of activities begins with the modelling of 0-level and consistently comes down to level 3. Each element of a process is a process, and so on to be described not only as a part of an element of a higher level, but also in terms of purpose, input / output and significance of results. Each process is divided into: 1) an element of "strategic planning", which refers to planning, monitoring and control, as well as improving the process; and 2) to the element of "operating performance" - this is the implementation of the process. Process elements of Level 1 match big management stages. Table 1 shows an example of the work in the project process description 1-3 on organizational development level.

Table 1 List of target processes of levels 1–3.

| | Processes' names and codenames | | | | | |
|---|---|---|---|---|---|---|
| | Process code | I level | Process code | II level | Process code | III level |
| 1 | ORG.1. | Business Process Architecture Management | | | | |
| 2 | | | ORG.1.1. | Business process modelling methodology management | | |
| 3 | | | | | ORG.1.1.1. | Analysis of the need for developing / updating the methodology of process management |
| 4 | | | | | ORG.1.1.2. | Development of methodological documentation for process management |
| 5 | | | | | ORG.1.1.3. | Analysis of incoming documents for compliance with the methodology of process management |
| 6 | | | | | ORG.1.1.4. | Update of the methodological documentation for process management |
| 7 | | | ORG.1.2. | Business process model management | | |
| 8 | | | | | ORG.1.2.1. | An analysis of the needs in the development / updating of the model of business processes |
| 9 | | | | | ORG.1.2.2. | Development of business process models |
| 10 | | | | | ORG.1.2.3. | Actualization of models of business processes of the company |
| 27 | | | ORG.2.2. | Functional / operational model management | | |
| 28 | | | | | ORG.2.2.1. | Analysis of the need for developing / updating the functional / operational model |
| 29 | | | | | ORG.2.2.2. | Development of functional / operational model |
| 30 | | | | | ORG.2.2.3. | Actualization of the functional / operational model |

In the next step, a matrix distribution of roles and responsibilities RACI has been developed with help from a consultant.

*Responsible* is the person, who actually carries out the process or task assignment. Responsible to get the job done. *Accountable* is the person, who is ultimately accountable for process or task being completed appropriately. Responsible person is accountable to this person. *Consulted* are those, who are not directly involved with carrying out the task, but who are consulted. May be stakeholder or subject matter expert. *Informed* are those, who receive output from the process or task, or who have a need to stay informed.

RACI matrix has been developed under the work for the process of organizational development on the block of corporate functions within the divisions, business units, subsidiaries and affiliates and the KMG general service centre. Table 2 shows a part of the final work on the corporate functions.

Table 2 The distribution of roles, powers and zones of responsibility on the process.

| | Process code | III level | ORG | ALLCORP |
|---|---|---|---|---|
| 1 | ORG.1.1.1. | Analysis of the need for developing / updating the methodology of process management | R, A | R, C |
| 2 | ORG.1.1.2. | Development of methodological documentation for process management | R, A | I |
| 3 | ORG.1.1.3. | Analysis of incoming documents for compliance with the methodology of process management | R, A | C, I |
| 4 | ORG.1.1.4. | Update of the methodological documentation for process management | R, A | I |
| 5 | ORG.1.2.1. | An analysis of the needs in the development / update of the model of business processes | R, A | R, C, I |
| 6 | ORG.1.2.2. | Development of business process models | R, A | R, C, I |

| | | | | |
|---|---|---|---|---|
| n. | …. | … | …. | …. |
| 21 | ORG.2.2.1. | Analysis of the need for developing / updating the functional / operational model | R, A | C |
| 22 | ORG.2.2.2. | Development of functional / operational model | R, A | R, C, I |

As mentioned above, according to the results of this work, Key Performance Indicators [11] have been established to Level 3 processes (Table 3).

Table 3 A set of processes' efficiency indicators in the context of each business unit and corporate functions.

| № | Processes' name and code | | Performance indicator list | | |
|---|---|---|---|---|---|
| | Process code | III level | KPI code | KPI names | KPI measurement unit |
| 1 | ORG.1.1.1 | Analysis of the need for developing / updating the methodology of process management | ORG.1.1.1.I1 | Term of consideration of applications for the development / maintenance of methodology of process management | Days |
| 2 | ORG.1.1.2 | Development of methodological documentation for process management | ORG.1.1.2.I1 | Term of development of the methodological documentation for process management | Days |
| 3 | ORG.1.1.3 | Analysis of incoming documents for compliance with the methodology of process management | ORG.1.1.3.I1 | The term of consideration of regulations for compliance with the methodology of process management | Days |
| 4 | ORG.1.1.4 | Update of the methodological documentation for process management | ORG.1.1.4.I1 | Deadline updating methodological documentation for process management | Days |
| 5 | ORG.1.2.1 | Analysis of the needs in the development / updating of the model of business processes | ORG.1.2.1.I1 | Term of consideration of applications for development / updating of the model of business processes | Days |
| 6 | ORG.1.2.2 | Development of business process models | ORG.1.2.2.I1 | Term of development of business process models | Days |
| n. | …. | … | …. | …. | …. |
| 21 | ORG.2.2.2 | Development of functional / operational model | ORG.2.2.2.I1 | Term of development of the functional / operational model | Days |
| 22 | ORG.2.2.3 | Actualization of the functional / operational model | ORG.2.2.3.I1 | The turnaround time for updating the functional / operational model | Days |

## 4. Conclusion

The development of a restructuring program or a restructuring business plan is the transformation of a chosen from several alternatives option to achieve established goals into a comprehensive plan of specific actions with the definition of terms and resources responsible for their implementation. The authors developed an algorithm for transforming an oil company. The main stages included in this process and their sequence were identified.

The developed algorithm serves to simplify the organization of the development and implementation of the transformation program, as well as the construction of its roadmap.

The proposed algorithm was tested on the example of NC "KazMunayGas" JSC. The result of this study in each direction were:

- Identified level 1–3 processes;
- Roles and Responsibilities Assignment Matrix;
- A list of key performance indicators for each process of the 3rd level.

On the basis of the list of level 1–3 processes, matrix for assignment of roles and zones of responsibility, project team has developed an interim organizational structure of the central office of KMG and the target operating model of management. According to the target model, in connection with the gradual addition of sub-holdings of the first level, number of staff of the central office will be significantly revised. New departments will be created, which will directly manage the production of KMG structural elements in five business areas: exploration and production of oil and gas;

transportation of oil; refining and marketing of oil; transportation and marketing of gas; oilfield projects. The corporate centre will be substantially changed, the routine functions: accounting, human resource management (HR outsourcing), information technology, treasury, procurement, all of that will be transferred to the General Service Centre (GSC). It is planned that in the final management model GSC will serve all organizations belonging to the group of KMG companies. All these changes in the framework of the transformation will enable the Company to significantly reduce administrative expenses, which bring no profits, reduce costs, increase productivity, respectively by 20% within 5 years.

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