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NORWEGIAN SUPPLY OF GOODS AND SERVICES TO THE BRITISH OFFSHORE SECTOR:
An Exploratory Study of Opportunities and Barriers

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Representatives from ten Norwegian companies in the offshore supplies industry were interviewed to explore the opportunities and barriers they had experienced in their effort to enter the British offshore sector. The interviews revealed that there are mainly four reasons why British sector is regarded as a favourable market: British sector is a natural homemarket, buyers operate both on the British and the Norwegian sector, the British sector can be a "door-opener" to the rest of the English speaking world, and finally the British sector is a market of considerable size. The companies had mainly encountered three types of barriers: British culture/communication problems, heavy competition from British suppliers, and protectionism. The report is concluded by summarizing what we believe are the critical success factors for entering the British sector. Directions for further research are also given.

Key-words:
1. Offshore supplies industry
2. British sector
3. Export barriers

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Preface

This is the final report from a study financed by A/S Norwegian Applied Technology. The main objective of the study has been to explore what opportunities and barriers Norwegian suppliers of goods and services have experienced in their efforts to enter the British offshore sector.

The authors wish to thank both Managing Director Bjarne Aabø and Technical Manager Elling Stangeland of A/S Norwegian Applied technology for their support and engagement in the research project. Furthermore, we also like to express our gratitude to the people representing the Norwegian supply companies. Without their enthusiasm and willingness to participate in the interviews, the completion of this study would not have been possible.

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Executive Summary

Representatives from ten Norwegian companies in the offshore supplies industry were interviewed to explore the opportunities and barriers they had experienced in their effort to enter the British offshore sector.

The interviews revealed that there are mainly four reasons why British sector is regarded as a favourable market:

- An increasing number of Norwegian supply companies now consider British sector as a part of their homemarket.

- Buyers operate both in the British and Norwegian sector, which implies that a good working relationship with an oil company on the Norwegian side, can help the supplier in entering the British sector.

- British sector can be a "door-opener" to the rest of the world.

- The British sector is a market of considerable size.

In the interviews most of the time was used to discuss the various problems that the companies had experienced in their attempts to enter the British sector. We found that there are mainly three types of barriers:

1. British culture/communication problems. Here we found problems related to:
   - Language
   - Salesmanship
   - Lobbying

   It seems that the best solution for overcoming this type of problems is either by learning the British culture and business climate or by finding a British partner.
2. Heavy competition from British suppliers.
   * Britain has long industrial traditions
   * Specification barriers for certain types of supplies
   * Norwegian suppliers are generally competitive with regard to price. However, a price differential is usually required for foreign suppliers on British sector
   * Norwegian suppliers are fully competitive with regard to quality. A problem may be that they sometimes aim too high, thus increasing the costs.

Common strategies for beating the competition involved developing unique products or market niches, including service components or relying on exclusive licensing agreements. Another strategy was to link up with some of the foreign oil companies on the Norwegian sector.

3. Protectionism
   * British sector became more protectionistic around 1980
   * Several companies claimed that OSO had prevented them from getting orders on British sector, but they were not able to present any hard evidence
   * There was little sense of bitterness towards OSO
   * OSO is not likely to interfere for all types of orders

The report is concluded by summarizing what we believe are the critical success factors for entering the British sector. These factors include:

   * Employing a niche-strategy
   * Presence
   * Invisibility
   * Ensuring British employment
   * Company relationships

It is also pointed out that further research should be undertaken. This research should include interviews with representatives from customers on the British sector and representatives from the OSO.
1. Introduction

In recent years the supply of goods and services from Norwegian companies to the British offshore sector has received a great deal of attention both from the oil industry, politicians and the mass-media.

There have been accusations of unfair trade policies among the British and rumours of protectionism. A Norwegian newspaper recently wrote a story about Norwegian offshore suppliers that had tried to enter the UK market. They did not get any chance because for the operators on the British side to accept Norwegian suppliers would be identical to committing "political suicide".

Such a point of view, however, should not be taken for granted without some inquiries. We will therefore in this study try to explore in some depth the validity of these accusations. This study should not, however, be perceived as mainly an investigation against protectionism. Our aim goes further. We will try to determine what is in a broader sense the experience of Norwegian suppliers in the British offshore supply market. What opportunities and barriers seem to be present? What are the critical success factors?

British companies are present in the Norwegian sector. The balance of trade between the Norwegian and the UK continental shelf is claimed to be in a proportion of 10 to 1 in favor of the British. The fact, that British companies are so strongly present in the Norwegian sector, is an important reason for Norwegian companies to make an attempt to enter the British sector. Our study thus aims to give knowledge that can be helpful in order to ameliorate Norwegian companies' position in this market.
2. Research method

To properly explore the business opportunities and barriers that Norwegian supply companies have encountered in their attempts to enter the British offshore market, an interview approach was preferred.

We started the research process by selecting ten Norwegian supply companies for interviewing. Our main criterion in the selection process was to obtain a fairly representative sample of the Norwegian offshore supply industry. Thus we decided to include:

- Both small and large companies.
- Companies that had successfully entered the British offshore market, as well as companies that had failed.
- Companies located in various parts of Norway.
- Both companies with little international experience, as well as companies with a fairly comprehensive international record.

Descriptive data for the ten companies is found in Appendix A.

The interviews took place at the company office, with one or both of the researchers present. The interview object was in each case a senior executive officer in the company (usually Managing Director or Marketing Director) who had the capacity to act as a key-informer for the company. The interview can best be characterized as semi-structured, where the interview objects were allowed to speak rather freely. To ensure that all topics were covered, we used an interview-guide. This interview-guide is presented in Appendix B.

After the first four interviews had been conducted, we arranged a meeting where our impressions from the interviews were presented to the company representatives. They gave us feedback and challenged our conclusions in a two-hour session. We found this interactive approach very useful. It gave us the chance to test some of our preliminary conclusions, to correct information that otherwise could have been misinterpreted, and to single out areas where more information was needed.

Following the meeting, the last six interviews were conducted.
In our opinion if a Norwegian supplier of goods and services is in the process of making an attempt to enter the British offshore sector, the company faces a situation fairly similar to what we have illustrated in the figure below:

The figure illustrates that the Norwegian supplier wish to enter the British sector to utilize one or several business opportunities. However, in order to successfully enter the market the supplier has to overcome several barriers. This can only be done by using resources in accordance with the company’s strategy. If the supplier is going to succeed or not, is mainly determined by the amount of resources that the company is willing to spend, and also by the strategy that governs the spending.

Some of the companies we interviewed judged the constraining factors to be too difficult to make a serious effort to enter British sector. Others had really tried, but failed. However, we also discovered success stories, where the Norwegians suppliers managed to operate in the British offshore sector on a permanent basis. We will now present our conclusions from the interviews in greater detail.
3.1 Business opportunities

The interviews revealed that there are mainly four reasons why the British sector is regarded as a favourable market.

1. Natural homemarket
In recent years an increasing number of Norwegian supply companies have changed their perception of a homemarket. Prior to the sharp decline in oil-prices in 1986-87, many companies considered only the Norwegian sector of the North Sea as their homemarket. However, after conducting the ten interviews our view is that a great number of companies now consider the entire North Sea as their homemarket. A drilling company with headquarters in Stavanger, Norway and a subsidiary company in Aberdeen, Scotland informed that their oil-rigs were moved freely between the Norwegian and the British sector. The position of the rigs was not determined by national border lines, but rather by what was most profitable for the drilling company at any time. Another example is found in a large construction company which has specialized in concrete structures. Because of its sheer size, the company had now started to consider the entire North Sea basin as its homemarket.

2. Buyers operate both on the British and the Norwegian sector
Several companies have a good working relationship with oil companies or contractors that operate in both sectors of the North Sea. Our opinion is that many companies consider such as relationship as their ticket for entering the British sector. This way of thinking was most apparent in a Norwegian drilling firm, where the official policy was to focus on oil companies rather than on national borders. "We wish to link up with four or five oil companies", the drilling company stated, "and wherever they are, we will be there too."

Using already established working relations, will in our opinion offer two main advantages. First, by obtaining the oil company's approval before entering the British sector will guarantee the Norwegian supplier at least some sales in the initial phase. Second, oil companies working in both sectors are presumably interested in earning good-will from the Norwegian government, so that they will qualify for later licensing-rounds. A good way of earning "licensing points" for the Norwegian sector, may be to place the purchases for their British sector operations with Norwegians suppliers. In this way there will also be incentives for the oil companies in helping Norwegian supply companies entering the British sector. However, purchases
from Norwegian companies, may make the oil company lose some British "licensing points" which implies that the oil companies will have to balance carefully their decision of whether to buy from a Norwegian or a British supplier.

3. Britain as a "door-opener" to the rest of the English-speaking world
One of the companies we interviewed emphasized the special importance of Britain as a "door-opener". If a Norwegian company has success in the British market, this will give the company a great deal of recognition. In other words, to succeed in British sector, may help making it easier to enter other foreign markets. In the interview it was also stressed the fact that British culture is very dominant in much of the English-speaking world. Learning the British culture by working towards the British sector may thus prove to be helpful in foreign markets around the world.

4. The British sector is a market of considerable size
For the Norwegian offshore supply industry the British sector represents a market of considerable size. The size combined with the near proximity to Norway should make British sector a very attractive market for Norwegian supply companies. However, it is also a market characterized by heavy competition from domestic suppliers. This combined with culture/communication problems and protectionism makes the British sector a tough market to enter.

3.2 Barriers
In the interviews most of the time was used to discuss the various problems that the companies had experienced in their attempts to enter the British sector. For companies that had not yet made any attempt we focused on what factors they believed they would encounter if they should try. Knowing that the customers, particularly, the oil-companies, are often the same in offshore-markets all over the world, we also made some inquiries about experiences in other foreign offshore-markets than the British one. After completing the ten interviews, it is our opinion that the barriers, or the sources of problems, can be divided into three groups. We will present the Norwegian companies' views with regard to these constraining factors.

1. British culture/communication problems
Nearly all the company representatives claimed that culture/communication problems had made it difficult to enter the British sector successfully. Some of the difficulties may stem from language problems. Although most Norwegians speak, read and write English pretty well, it is always difficult to do business in a foreign language, especially if the counterpart is very
comfortable with the language. "It is much easier to negotiate when the counterpart also uses English as his second language", one of the representatives claimed, "in such a situation both parties have the same disadvantage". In other words, it does not seem that language problems per se, cause the difficulties, but rather the fact that the English language will give the British counterpart a special advantage.

Another problem facing Norwegian company is the apparent lack of salesmanship. Nearly all the people interviewed, judged Norwegians as poor sales people. According to one of the companies it is much easier for Americans to sell to the English than is the case for the Norwegian seller. Whether this difference stems from language problems or salesmanship is, however, another question.

There was consensus in how to improve salesmanship among Norwegian employees. According to the interview objects it is important that sales activities are given a higher status in Norwegian company. Most Norwegian consider the sales function as undesirable. Being a sales person can be a necessary step on the career ladder, but certainly not the final goal. The company representatives felt that the Norwegian attitude towards selling must be changed if Norwegian companies are really going to succeed abroad.

A closely related problem is the issue of lobbying. The companies considered lobbying to be more important in Britain (and in foreign countries in general) than is the case in Norway. One of the interview objects expressed his views as follows: "In Norway, we consider our job completed when our bid has been handed in to the potential buyer, in other countries they know that it is at this moment that the really hard work starts". It is our impression that the importance of lobbying increases in proportion with the scale of purchase. For small orders lobbying is not that important, while it is a big issue for large orders involving a great amount of money and jobs.

How do the companies cope with culture/communication problems? Our interview results indicate that most companies seek cooperation with British people in one form or another. In most cases the solution is a fully owned or partially owned partner-company in Britain. Some of the companies had formed joint-ventures with British companies, but as often happens with these kinds of arrangements, conflicts arose. In some case the conflict had been solved by terminating the join-venture, while in other instances the Norwegian partner had bought out its British counterpart.

One of the companies we interviewed ran two operations in Britain. Planning and engineering was handled by the London office, while the
operative functions were run from Aberdeen. The obvious reason is that it is most profitable to have the planning activities in London where all the company headquarters are located, and the operative activities in Aberdeen where the oil-operations are run.

It is considered easier to run a subsidiary company in Britain than in other parts of the world. Corruption and theft is much less of a problem than in Africa of South-East Asia. However, in running foreign operations the issue of control will always be important. The main problem with the British, argued one of the representatives, is their unique ability to write elegant reports. Even if the situation is really bad, they always manage to disguise the problems in their reports to the Norwegian parent company. Special judicial problems had not been encountered by any of the companies we interviewed. Despite this, a representative from a wholly owned subsidiary of one of Norway's largest companies stated, "When doing business abroad, it is always good to know that we can rely on our huge legal department at the company headquarters".

Running a subsidiary company in Britain where the staff is British may also cause communication problems. In other words are the British employees able to communicate with their Norwegian employers? One of the companies we interviewed had solved this problem in a rather creative way. The British subsidiary was established and managed by British citizens who had previously worked at the main office in Norway. This implied that they were familiar with the "culture" in the company, knew all the routines etc.

The importance of being present in Britain was clearly demonstrated by one of the companies we interviewed. The company was, according to its representative, fully capable of penetrating the British offshore market. However, because of strategic considerations it had chosen to keep its activities in Britain at a rather low level. Despite this fact, the company regarded its subsidiary company in Britain as very important, as an instrument for market learning and surveillance. Although there were no specific plans for upscaling the activities on the British sector in the near future, the company put emphasis on constantly monitoring the market, so that it would have the necessary knowledge in case the company's strategy was changed.

2. Heavy competition from British suppliers
In the interviews most of the company representatives stressed that Britain is considered a difficult market because of its competitive offshore industry. "It is important to remember", one of the interview objects stated, "that England was the scene for the industrial revolution". Several of the
representatives claimed that a major advantage for the British offshore industry is that it can benefit from the nation's industrial traditions. Norway lacks these traditions, and it is therefore often hard to convince the potential buyer that the Norwegian suppliers' offer may be better than that of their British competitors. In other words, Norway's lack of identity as an industrial nation can be a serious drawback for the Norwegian companies.

We asked the Norwegian suppliers if they were able to compete on price. The answers were somewhat mixed, but we certainly got the impression that the price level was not a major obstacle any more. The representative from a builder of huge offshore installations, argued that we had experienced a favorable development in recent years in Norway, with diminishing costs and increasing productivity. The issue of costs is closely related to capacity. "If we have vacant capacity and really want the job, costs won't be any problem", the representative stated. "However, in a situation were we are nearly fully booked, we will probably be too expensive compared to British suppliers".

A supplier of offshore cables told us that different specifications may drive up the prices for orders on the British sector. The company had specialized in the specifications used on the Norwegian sector and switching to other specifications would lead to a cost disadvantage compared to the British supplier. However, for jobs in the Norwegian sector the specification barriers help protect the company against competition from foreign suppliers. Another firm made complaints because the very detailed specifications of contracts on the Norwegian side, were destructive, as no competence-building was promoted within the company. Consequently, the firms could become unable to compete internationally, as Norwegian standards were too expensive and not wanted in the market.

One of the companies argued that costs to a great extent are a result of how efficient the company can run its operations. A supplier of rotating equipment, pipeline, electric equipment and instrumentation, emphasized that despite of falling prices, the company had increased its profits because of efficiency improvements. Another company, a supplier of chemicals, told us that its huge American competitors had a cost advantage in procurement and logistics, but still were less profitable because of their high level of overhead costs.

Several of the interview objects underlined that while high costs may be a problem in Norway for manual labor, the salaries of Norwegian engineers are comparable to the salaries in Britain, and certainly much lower than on the continent. Management is very inexpensive in Norway, and this will certainly give the Norwegian suppliers an advantage. A drilling company
argued that while salaries were almost the same for their Norwegian and British employees, the work schedules were different. On the Norwegian sector the leisure/work ratio was 7 to 4, compared to a ratio of 1 to 1 on the British sector. This difference made labor costs much higher in Norway than in Britain.

It seems that price is not an important issue if the company's supply is a very little but vital part of the operation. For instance, a supplier of chemicals told us that their part is only 2 per cent of the total drilling costs. However, if the chemicals fail this can lead to delays and subsequent extra costs. The company representative argued that reliability was thus far more important than costs.

Several companies argued that the most suitable strategy for avoiding price competition was to concentrate on specific market niches. A niche in the market can be developed by a series of different factors: products, sale/service-concept, selected customers etc. The customers, oil-companies and others, can be willing to pay more than minimum cost. Technical reliability and safety can for example be values for which the customers might be willing to pay additionally. Concentrating the focus on niches demands heavy efforts in marketing, however. It takes time to get confidence in the market. A company has to be present at international conferences, visit potential clients etc.

A useful strategy for avoiding price competition is to make the product unique. One of way of achieving uniqueness is to include a service component. The supplier of standard drilling chemicals for instance, put emphasis on including service to increase reliability and thus get a competitive advantage. Some companies directed their efforts towards developing new products. One of the companies had developed rather unique devices in instrumentation. The company was a small "high-tech" firm committed to commercialize new technological concepts. This company argued that they had no trouble entering the British market with products because of their uniqueness. However, the interviews revealed a great deal of scepticism towards product development as the most profitable solution. Most Norwegian companies, they said, are far too small to develop products from scratch. "When one considers the long time frame and enormous costs usually involved in product development, this strategy will simply be too risky", several of the interview objects claimed. "In addition experience shows that the products will only remain unique for a brief time period. Even patents will not provide complete protection against copying."

One of the companies we interviewed had chosen a different strategy. Rather than developing a unique product itself, the company had managed
to get an exclusive licensing agreement for a unique equipment preservation system. This strategy protected the supplier against competition, while it also saved the company for the risks and costs in developing the system.

A company specializing in computer systems had developed several basic systems that were later tailored to match the customers' needs. This strategy saves the company from developing a completely new system for each order, but still gives the customer the advantage of purchasing a tailor-made system.

We also discussed the issue of quality with our interview objects. There was consensus that Norwegian suppliers generally have a higher score on the quality dimension than is the case for their British competitors. Some companies argued that Norwegian companies often aim to high. Reaching for a higher quality level than the customers really desire may be costly and can consequently cause the supplier to lose on price. The challenge for the Norwegian offshore supplies industry will thus be to match their own quality specifications with the demands from their customers.

In our interviews we found that a widely used strategy for beating the competition is to link up with some of the foreign oil companies. One of the Norwegian suppliers had received support from Shell for developing a prototype. Another representative mentioned that several Norwegian companies had received funds from BP for research and development. Establishing links with the foreign oil companies may serve a dual purpose. First, it may give the Norwegian supplier direct access to British sector, and second it may give the company valuable references. However, several representatives warned that a very strong connection to one of the oil companies also may be a drawback. If the supply company is considered almost a subsidiary to a specific oil company this may prevent the supplier from getting orders from other oil companies.

When interviewing the companies we found that one of them was in a very peculiar situation. The supplier dominated the entire Norwegian sector, while a British supplier dominated the British sector. Both suppliers were equally able to enter each others markets, but had reached a silent agreement to concentrate their activities to their own sectors. In the present situation the British company did not supply the Norwegian sector, while the Norwegian company's operations on British sector were kept at a minimal level. The Norwegian company considered in other words itself as fully competitive, but had decided not to penetrate the British market because this could endanger its market share on the Norwegian sector.
Horizontal cooperation between a Norwegian supply-firm and British/foreign supply-firms can be a way of entering the UK market, but such alliances are not by themselves a guarantee for success. For a relationship to be successful, it seems important that there is some degree of reciprocity between the business-partners. Both partners should profit from the relationship. There should be giving and taking from both sides. That could be in terms of serving each others as market channels respectively in the Norwegian and British market. Technological complementarity, can also be a good basis for establishing a companionship, for example if the products go well together into turn-key contracts with an operator. If the relationship is too unequal, the chances of success diminish. One small firm seeking assistance with one of the greater international firms, felt that the latter just wanted to take-over the small company.

3. Protectionism
As discussed previously, there has much discussion about OSO and the possibilities of British protectionism. This was a topic that was given a great deal of attention in our interviews. The main findings from the interviews with regard to this topic can be summarized as follows:

* There was a significant change in British policy around 1980.

* Although several companies claimed that OSO had prevented them from getting orders on the British sector, they could not present any hard evidence of protectionism. This implies that OSO uses very discreet methods for favoring British suppliers.

* The companies had no sense of bitterness towards OSO. It appeared that they were rather impressed by the way OSO promotes British supplies industry.

* OSO is not likely to interfere for all types of orders.

Below we will discuss these findings in greater detail.

Several companies argued that they had experienced a significant shift of British trade policy around 1980. A representative from a Norwegian supplier of HVAC (Heating, Ventilation, Air Condition) equipment could inform that in the 1970s the company had a 40 per cent market share on the British sector. The equipment was mainly produced outside Great Britain and sold through a sister company in Glasgow. From around 1980, the company was gradually squeezed out of the market, and today it had nearly no orders on the British sector. A company which has specialized in production and sales of pumps had experienced the same development. This
company had three active years on the British sector in 1979-1981 before the market closed up, probably because of intervention from OSO.

What methods are employed by OSO? According to the interview objects it is very hard to pin-point the methods that are being used for favoring British suppliers. Usually, no explanation is given when a supplier loses a bidding round. However, some of our interview objects told that they had been informed unofficially by the oil company that "OSO won’t allow us to purchase from a foreign supplier". It thus seems that OSO is using pressure against the oil companies to ensure that a British supplier gets the job. According to the interview objects the oil companies are aware that if they cross OSO's will, this may be a major drawback when the oil company applies for future licenses on British sector.

Some of the interview objects expressed that in their opinion it is not uncommon in a bidding round that British suppliers are allowed to revise their bids, if they are more expensive than their foreign competitors. According to one of the representatives, OSO's definition of equal opportunity includes this second chance for British suppliers.

Much to our surprise, there were few signs of bitterness towards OSO among our interview objects. It appeared that they were rather impressed by the way OSO promotes British supplies industry. Some of the representatives argued that OSO's activities only indicated that Great Britain has a more developed industrial policy than is the case for Norway. Others argued that favoring British suppliers not necessarily reflects protectionism but might just as well be a results of patriotism. "It is important to keep in mind", one of the interview objects argued "that the British generally are more patriotic than Norwegians". Following this argument, British staff in the oil companies may prefer to buy from British suppliers not because OSO forces them to, but rather because they are somewhat patriotic. One of the interview objects told us that he wished that Norwegian employees in oil companies here in Norway would be a bit more patriotic in the procurement process. Instead of visiting potential suppliers in exotic places abroad, representatives from the oil companies should be more interested in finding out what Norwegian supply companies could offer.

Would it be favourable if Norway adopted the British approach and established something similar to the OSO, we asked the interview objects. Here, we received mixed answers. Some meant that it would be wise to follow Britain's example, while others stated that protectionism is similar to subsidizing the industry and argued that Norway in the long run only would lose from protecting its own supply industry. Others again expressed a middle position. "It would be favourable" they argued "if Norwegian
authorities could do more for promoting Norwegian companies". "However", the same representatives stated "to fully adopt the British approach would lead us too far towards protectionism".

In our interviews we found that the possibility that the Norwegian supplier encounters protectionism, is not equal for all types of supplies. According to one of the interview objects OSO barriers will only be effective for orders exceeding NOK 5 to 10 million. Another representative told us that if the supplier is only responsible for a small part of the job, like is the case with for instance drilling chemicals, OSO will probably not interfere. The same will also be the same for types of supplies that are dominated by foreign companies. Some of our interview objects stated that OSO rarely will intervene when it comes to marine services. This is because Norway is considered as one of the world's leading suppliers of these types of services, and also because marine services are regarded as shipping which is an international industry that rarely encounters protectionism.

What type of suppliers will encounter protectionism? It is our opinion that large orders that involve a great number of jobs, especially if these are onshore will be difficult to get for Norwegian suppliers. The representative from a huge builder of offshore installations informed that it would be very difficult for them to get orders on British sector. One of the strategies the company had considered was to purchase a similar company based in Britain. The representative emphasized that this would strictly be an investment, that only would could give the Norwegian company cash benefits not orders. If the Norwegian builder should succeed in getting orders on British sector, considerably lower prices/higher quality than the British competitors combined with a massive marketing effort would be required. According to the interview object, the marketing effort should include three elements; selling, lobbying and confidence-inspiring activities.

Another company, specializing in platform construction, told us that they had recently lost a bid on British sector. In the representative's opinion, the company's bid probably gave better value for the money than was the case for the other companies' bids. However, the representative guess was that the price difference was so small that the oil company was not willing to take the trouble that would undoubtedly follow from selecting a foreign supplier. The oil company thus gave the order to one of the British competitors.

Several interview objects expressed hopes that it should be easier to gain access to the British sector in the near future. They emphasized that the British supplies industry now runs at nearly full capacity. This may force OSO to accept foreign suppliers on British sector. Similarly the oil
companies will probably be more eager to look outside Britain for potential suppliers. A second favourable development is the shift in OSO policy that has been signaled by British authorities. It has been stated that OSO in the future will concentrate more on promoting British industry abroad, and to a less degree protect this industry at home. One of the interview objects also argued that the British are more afraid of competition from German suppliers, and that they thus may be willing to form a British-Norwegian alliance covering both sectors of the North Sea. During our ten interviews we detected a great deal of optimism. However, only the future can tell if there are solid reasons for being optimistic.

4. Conclusions

We have so far in our presentation of the results of our study concentrated on business opportunities and barriers for Norwegian companies trying to enter the UK offshore market. In our summing-up of the main findings, we shall focus the success factors that Norwegian companies can use in order to pass the barriers and grasp market opportunities.

Before doing that, it could from the interviews be repeated that the supply-market on the UK continental shelf, really is difficult to enter. Most of the companies viewed this market as especially difficult. Many of the companies expressed the point of view that this partly was due to British protectionism. The Offshore Supply Office was viewed as an organization operating somewhere in the background, difficult to observe, but in fact being a main hindrance for foreign companies competing with British firms.

It was acknowledged, however, that other factors as well can explain that only a few companies really had been successful in their efforts in the UK market. First, there are problems related to British culture and communication. Secondly, and that should be strongly underlined, Norwegian companies are meeting in this market heavy competition from British suppliers. This is not to the same extent true for firms directing
their efforts towards more remote offshore supply markets, for example in South-East Asia.

One more thing should be said before discussing the success-factors. Those are factors that by themselves do not assure Norwegian suppliers a fair part of the British market. There are in addition some basic factors that should be present. First concerning the internal resource-base and experience. Norwegian companies going for the British market should evidently have demonstrated an acceptable degree of competence and competitiveness. Secondly, the suppliers have to show a rather strong eagerness and willingness in directing their efforts towards the UK sector. It is not question of only grasping opportunities that accidentally are passing by. Some of the firms have not really gone strongly for this market, that may to some extent explain the moderate success-rate. The reasons for not doing so may partly have been that they had enough to do on the Norwegian market, partly because of fear of dropping down and losing their money.

Taken for granted, however, that the companies have the capacity, competence and willingness to go strongly for the British market, five factors of success could be singled out. We have illustrated this in the figure below:
The first success-factor to be mentioned is the importance of applying a **niche-strategy**. Generally speaking a company can either compete by offering a low price, or by looking for niches in the market. Our interviews indicate that there seem to be small possibilities for Norwegian companies to obtain contracts only through cost advantages. The cost-difference between a Norwegian and a British offer has to be really significant, if the Norwegian firm shall get the order. Furthermore the general cost-levels within the industry in the two countries are probably rather equal.

In general in the offshore supply-markets, cost is not the only competitive factor of importance. Product characteristics, supplier reliability, punctuality and solidity, security systems etc. are factors that can have impact on a firms ability to compete with British firms. A firm should thus be looking for niches in the market.

A niche strategy do no necessarily mean to develop a product with specific technological content. What seems to be important is that the companies should look for areas where Norwegian firms have comparative advantages. For example in process-industries, the British are believed to be strong, while Norwegian companies have strengths in marine activity and safety aspects. A niche can also mean specific market channels, specific distribution systems or customers. Moreover a niche-strategy, could be perceived as a total concept, where product, marketing, customer-relations, service/maintenance and so on are integrated in a unique way, adapted for the UK market.

Second, it is important with **presence**. That means, one could not expect to capture contracts by only sending letters, demands and bidding documents across the North Sea. It is extremely important to be on the spot, able to keep in touch with the market, to communicate with possible clients and relevant authorities. Being present, means that there are people in the UK talking and acting for the Norwegian company. Being present, could in most cases be assured by at least establishing a sales-office or a Norwegian daughter company in England. An other possibility is to act through a cooperating British company. Even in the latter case, however, representatives for the Norwegian company should be very often present in order to make necessary marketing efforts. The importance of presence is partly grounded on principles of market communication, partly it is a question of somehow "lifting up a British flag".

The last argument brings us over to the next success-factor, **invisibility**. This should not be literally understood, as some kind of hidden or "black-market" activity. The point to be made is, nevertheless, that because
of the policy of "buy British" foreign companies trying to enter the UK market, increase their chances of success by not being too clearly visible as suppliers. An example is that large contracts often will be particularly difficult to get. Smaller contracts are not to the same extent judged by protectionist criteria. Other ways of reducing the visibility are through operation as a sub-contractor or in close partnership with a British company. Figuratively speaking, even if most of the content of a job should be Norwegian, it is important that there is some kind of a British stamp on the offer.

As far as protectionism is concerned it should be underlined that the OSO seems more concerned with labour than capital. The most important thing is not that the contractors are British by ownership, but that much of the work is being done by British people. The fourth important success-factor is thus British employment. That seems to be the primary concern for OSO. Especially the performance of manufacturing activities on British ground will strengthen Norwegian companies efforts towards this market. Operating a Norwegian drilling-rig in the UK sector is not really understood as a problem if the people working on the platform are British. Using British personnel at the management level or as service-personnel could probably also give goodwill.

The fifth success factor is the importance of having company relationships across the North Sea. Especially important is vertical relationships with buyers, in most cases that means the oil-companies. If a company already has developed a relationship to an oil-company by doing jobs in the Norwegian markets, it is much easier to get a job for the same company on the other side of the North Sea. It is extremely important to have some kind of reference that confirms the company's reliability as a supplier. Moreover it could in many cases be important to have horizontal alliances with British firms, either in some form of a joint venture, doing the operating work together, by cooperation on the selling-side, or as a sub-contractor. Such a relationship should as far as possible be based on equality, where both partners can profit, technologically, in marketing or otherwise. If not there is more risque that conflicts might arise.
5. Further Research

A small study like this based on ten case-interviews should not be seen as a study telling all truths of Norwegian supply companies trying to enter the UK continental supply market. Rather it is an exploratory study, wherein we have tried to reveal some of the central issues confronting Norwegian suppliers going for this market. To what extent have they been successful? Why? Why not?

We have only investigated one corner of an issue that in fact could be analyzed in terms of a triangular problem, as showed in the figure below.

![Diagram of triangular problem]

We have seen this issue from the point of view of the Norwegian companies on their relations with British customers, mostly oil-companies, and their experience and meaning about the role of the OSO in this market. We do not know how all this is looked at from the other side of the North Sea. In order to understand the actual competitive situation and business possibilities for Norwegian suppliers in the UK offshore market, all important actors ought to be studied. What are the viewpoints of the operators on the British sector? How well do Norwegian firms perform
according to the OSO? Are Norwegian firms really competitive? What are the British opinions of their strengths and weaknesses? What about costs? Do they have the ability to make themselves known in the market? What about knowledge of formal procedures? These are only some of the questions that should be raised in a more complete study.

Further investigations of these issues should accordingly be done by visiting operators and OSO in Britain. This would allow us to draw more firm conclusions about the actual situation facing Norwegian companies in the UK sector. Moreover, a study on the British side could also give us insight into future trends and possibilities for Norwegian firms in this market.
Appendix A:

An Overview of the Companies Interviewed
## Descriptive data for the 10 companies interviewed

<table>
<thead>
<tr>
<th>Company #</th>
<th>Number of employees</th>
<th>Annual sales</th>
<th>Location</th>
<th>Type of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>250</td>
<td>NOK 220 million</td>
<td>Stavanger area</td>
<td>Multi-disciplinary service company</td>
</tr>
<tr>
<td>2</td>
<td>160 (30 in Norway, 130 abroad)</td>
<td>NOK 191 million (1989)</td>
<td>Stavanger area</td>
<td>Drilling chemicals</td>
</tr>
<tr>
<td>3</td>
<td>3500 (2700 in the drilling company)</td>
<td>Several billion NOK</td>
<td>Stavanger area</td>
<td>Shipping/drilling</td>
</tr>
<tr>
<td>4</td>
<td>1600</td>
<td>NOK 2.6 billion</td>
<td>Stavanger area</td>
<td>Builder of offshore platforms</td>
</tr>
<tr>
<td>5</td>
<td>70</td>
<td>NOK 100 million</td>
<td>Stavanger area</td>
<td>Computer systems</td>
</tr>
<tr>
<td>6</td>
<td>120 (in the offshore division)</td>
<td>NOK 170 million</td>
<td>Oslo area</td>
<td>Offshore cables</td>
</tr>
<tr>
<td>7</td>
<td>50 (in the offshore division)</td>
<td>NOK 200 million</td>
<td>Oslo area</td>
<td>Air, gas and fluid processing</td>
</tr>
<tr>
<td>8</td>
<td>1100</td>
<td>NOK 1.5 billion</td>
<td>Stavanger area</td>
<td>Builder of offshore structures</td>
</tr>
<tr>
<td>9</td>
<td>250 (in the offshore division)</td>
<td>NOK 250 million</td>
<td>Bergen area</td>
<td>Pumps and safety equipment</td>
</tr>
<tr>
<td>10</td>
<td>25</td>
<td>NOK 20 million</td>
<td>Bergen area</td>
<td>Development of measurement instruments</td>
</tr>
</tbody>
</table>
### Degree of success on British sector and evaluation of market importance

<table>
<thead>
<tr>
<th>Company #</th>
<th>Type of business</th>
<th>Degree of success in entering the British sector</th>
<th>British sector is considered to be an:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Fully successful</td>
<td>Partly successful</td>
</tr>
<tr>
<td>1</td>
<td>Multi-disciplinary service company</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Drilling chemicals</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>3</td>
<td>Shipping/drilling</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Builder of offshore platforms</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>5</td>
<td>Computer systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Offshore cables</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Air, gas and fluid processing</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Builder of offshore structures</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Pumps and safety equipment</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Development of measurement instruments</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>
### Strategy used or strategy under consideration for entering the British sector

<table>
<thead>
<tr>
<th>Company #</th>
<th>Type of business</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Corporate take-over</td>
</tr>
<tr>
<td>1</td>
<td>Multi-disciplinary service company</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Drilling chemicals</td>
<td>X</td>
</tr>
<tr>
<td>3</td>
<td>Shipping/drilling</td>
<td>X</td>
</tr>
<tr>
<td>4</td>
<td>Builder of offshore platforms</td>
<td>C</td>
</tr>
<tr>
<td>5</td>
<td>Computer systems</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Offshore cables</td>
<td>X</td>
</tr>
<tr>
<td>7</td>
<td>Air, gas and fluid processing</td>
<td>X</td>
</tr>
<tr>
<td>8</td>
<td>Builder of offshore structures</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Pumps and safety equipment</td>
<td>X</td>
</tr>
<tr>
<td>10</td>
<td>Development of measurement instruments</td>
<td></td>
</tr>
</tbody>
</table>

- **P** indicates strategy employed in the past
- **X** indicates the dominant strategy today
- **C** indicated that the strategy is under consideration
Appendix B:

The Interview-Guide
The following topics were covered in all interviews:

**Descriptive data**
Number of employees  
Annual sales  
Organizational structure of the company  
Type of business  
International experience  
Experience from British sector

**Strategy**
How important is internationalization for the overall strategy of the company?  
How important is British sector for the company?  
Does the company have a clear marketing strategy for its internationalization process?  
Does the company have a clear strategy for entering the British sector?

**Specific orders on British sectors**
What type of order  
The magnitude of the order  
Terms of delivery  
Purchasing company  
Standard or special delivery

**Bidding process**
How was the company informed about the bidding contest?  
The number and nationality of the competitors?  
Where in the process did the company lose?  
What parties were involved (OSO and others)?  
Why did the company lose the bidding contest?

**Critical success factors**
What is the best strategy for entering the British sector:  
- Try alone  
- Joint-venture with other non-British companies  
- Joint-venture with British companies  
- Establish a sales office in Britain  
- Establish a subsidiary company in Britain  
- Buy an established British company
What are the main problems for Norwegian companies trying to enter the British sector:

- Cost disadvantage
- Inferior quality of supplies
- That they compete in niches where Norwegian companies do not have a comparative advantage
- Protectionism

How can the Norwegian supplies industry increase its market share on the British sector?