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Preface

This thesis is written at the Faculty of Science and Technology, Department of Safety, Economics, and Planning, at the University of Stavanger during the spring 2021.

First, we would like to thank our supervisor at the University of Stavanger, Petter Osmundsen and our external supervisor Kenneth Byrkjedal from Aker BP for their supervision, guidance and sharing of knowledge during this semester. We would also give special recognition to the employees in Aker BP for the support and engagement, helping us to reach out to relevant interview participants, quick responses to our questions, and for a pleasant cooperation. Finally, we would like to thank all those who cooperated by participating in the interviews, and their engagements regarding the topic. We are grateful for the time devoted to us and the thesis during these special Covid-19 circumstances.

Without the help, inducement and assistance from people devoting their time and knowledge, completion of this thesis would have been impossible.

Abstract

The oil and gas industry has faced many obstacles in recent years, which has led to companies in the industry being forced to find new ways of working and collaborating. In connection to this, the alliance model has been more frequently used in the market.

In collaboration with Aker BP, this thesis has investigated the future of their alliance model in comparison to the conventional competitive model. The thesis has looked at topics such as advantages, challenges, and future threats and opportunities that can further help develop and improve the model. To answer this, we have used a qualitative research method where participants both externally and internally in the alliance were interviewed. In addition, parts of the results have been analyzed using a quantitative method.

Our results showed diversity on whether the alliance model is a preferred contract strategy for Aker BP on the NCS. The participants from the alliance were satisfied with today's contract strategy, as opposed to participants outside the alliance where several were more skeptical. The main benefits by using the alliance model were found to be completion time and cost, integrated team, and continuity, whereas the challenges were competitive concern and stakeholder management. Furthermore, we see that it can be challenging to replace the current alliance partners and enter into new agreements with external suppliers. In addition, there were different perspectives regarding potential benefits of the alliance model if the market changes, i.e. in a market peak or market downturn.

This thesis concludes that Aker BP`s alliance model is a well-functioning contract strategy. However, areas such as structure, communication with the market, and the challenges mentioned above are proposed to be improved.

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List of Abbreviations

Abbreviations		Meanings
DG	–	Decision gate
D&W	–	Drilling and well
EPC	–	Engineering, procurement, and construction
EPCI	–	Engineering, procurement, construction, and installation
EPCM	–	Engineering, procurement, construction, and management
E&P	–	Exploration and Production
FEED	–	Front End Engineering Design
HSEQ	–	Health, Safety, Environment and Quality
NCS	–	Norwegian Continental Shelf
MLC	–	Most Likely Cost
NSD	–	Norwegian Centre of Research Data
PDO	–	Plan for development and operation

1 Introduction

This study wants to examine and compare the alliance model against the conventional competitive model with the intention to determine the most favorable contract strategy for Aker BP in the future. Both strategies will be explained and compared throughout the thesis, where both strengths and weaknesses will be discussed. This introductory section provides a background for the study, some general information about Aker BP, and a presentation of the research questions which the thesis intends to answer. Additionally, the delimitations and layout of the thesis will be introduced.

1.1 Background

Since the collapse of oil prices in 2015 (Figure 1), the oil and gas industry has tried to maintain their workforce and expertise. Due to low oil prices, an ablaut number of developments became commercially unachievable. The subsequent stabilization of oil prices in recent years has led the operators on the Norwegian Continental Shelf (NCS) to seek for new ways to conduct these developments.

Figure 1 Crude oil prices over the last 10 years (Macrotrends, 2021)

In The Norwegian Petroleum Directorate's (2021) annual reports published in recent years, forecasts have been made indicating that the production will increase towards 2025, and then decline sharply. Without new fields or major investments, the production on the NCS will fall.

In addition to limited oil and gas production, greater demands are placed on exploration and production (E&P) companies to deliver greener and more sustainable products and to reduce emissions. This requires time, money, and innovation and has thus given a greater focus on increasing efficiency, reducing costs, and developing new technologies.

As a result of decreased oil and gas discoveries and the increased focus on sustainability and environment, there has been some innovation in the organizations and contract design in the recent years, which includes new ways of entering contracts, incentive systems, collaborations, and procurement strategies. The conventional competitive model works in many projects but has also proved to be problematic in large-scale projects, where it often results in exceeding delivering time and cost. Therefore, many companies have changed their corporate strategy by cooperating with the suppliers. One of the forms of cooperation is based on shared risk for profit or loss without creating a joint venture or a single entity (Landa, 2017). This cooperation has arisen under different names but is in this thesis referred to by the name *alliance*. Alliances are often referred to as a future-oriented strategy and are now more frequently used in the market.

The oil industry experienced a new collapse in oil prices, sharply falling activity and mass unemployment when the corona pandemic erupted in 2020 (Figure 1). To meet the oil industry's massive crisis, the Parliament of Norway adopted a package that primarily gives oil companies a deferral of taxes. This tax package opened up great opportunities for new investments on the NCS as long as the plan for development and operation (PDO) is submitted to the authorities by the end of 2022 (Rosenberg, 2021). Some forecasts estimate a market peak around 2025 as a result of this tax package, hence a large increase in investments on the NCS. How this upturn will affect the market is unclear, but greater demand and restriction on resources are expected.

The fluctuating oil price is impossible to predict and control, but the new trend of introducing alliances can contribute to what they suppose is a more sustainable way of working, realize new technology and development, and help each other through market declines with low oil prices. Aker BP introduced its first alliance in 2016 and has since developed several different alliances with strategic partners. As Aker BP has some experience using this cooperation strategy, it is interesting to investigate whether this strategy has a viable future.

1.2 Aker BP ASA

Aker BP ASA is an E&P company on the NCS. In 2016 BP Norge AS and Det norske oljeselskap ASA decided to join forces with an ambition to become the leading independent offshore E&P company. Today Aker BP ASA has a labor force of approximately 1700 and is one of the largest independent oil companies in Europe measured in production (Aker BP ASA, 2021a). Currently Aker BP is operating on the three main petroleum provinces within the following major fields: Valhall, Ula, Ivar Aasen, Alvheim and Skarv as well as parts of Johan Sverdrup(Aker BP ASA, 2021b).

As mentioned in the previous section, Aker BP has been using the alliance model since it was implemented in 2016. From updated numbers received by Aker BP, 40% of Aker BP's total purchases comes from the alliances and are expected to rise to 70% as investments increase. In projects, 80% is carried out by the alliance (Aker BP, personal communication, 16.03.2021). Based on documents and conversations with employees, Aker BP is so far satisfied with this strategy, and will continue to use the alliance model in the foreseeable future.

1.3 Presentation of Research Problem

This thesis will examine the challenges and opportunities associated with Aker BP's alliance model, in addition to a comparison against the conventional competitive model.

The main problem to be challenged in the thesis is as follows:

Is the use of an alliance model advantageous in comparison to the conventional competitive model for Aker BP on the Norwegian Continental Shelf?

Additionally, the following three research questions will be investigated:

1. What advantages and challenges are Aker BP`s alliance model facing today?
2. How will Aker BP's alliance model affect a possible future collaboration with suppliers on the Norwegian Continental Shelf?
3. How well prepared is Aker BP`s alliance model for the estimated market peak in around 2025?

1.4 Delimitation

The term alliance is widely used with several definitions and within different industries. This thesis is delimited to investigate the use of the alliance on the Norwegian Continental Shelf, and furthermore, delimited to investigate Aker BP's alliance model.

This assignment is based on obtained, qualitative information that has been revealed through interviews with participants from Aker BP, alliance partners, suppliers outside the alliance and license partners. Due to time constraints, only a handful of participants from each group were interviewed. It is reasonable to assume that several important points of view and information from other relevant parties who have not been interviewed, could have been relevant to answer the problem of this thesis.

In addition, the thesis is limited to comparing the alliance model against an overarching conventional competitive model, without specifically addressing the various forms of contract.

1.5 Layout of the Thesis

The layout of the thesis is structured in 6 chapters, as shown in Figure 2.

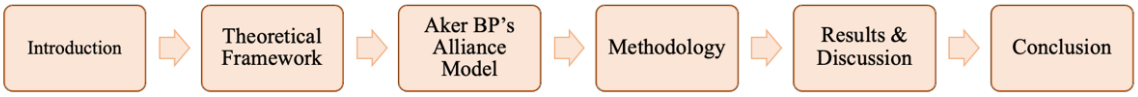

Figure 2 The layout of the thesis

Fundamental theoretical frameworks for the thesis will be provided in Chapter 2. Chapter 3 will provide essential information about how Aker BP's alliance model is constructed. Chapter 4 will present the methodology used in this thesis and will provide an understanding of the choice of method and how the interviews are conducted. The results and discussion will be presented in Chapter 5 and are based on main findings from the interviews. Lastly, Chapter 6 includes the conclusion of the thesis and a proposal for further research.

2 Theoretical Framework

This chapter will present the theoretical framework used as foundation when analyzing and discussing the thesis research questions. Firstly, contract strategy will be explained with the associated choice of contract type, selection criteria`s and incentives. Further, general theory regarding the traditional competitive model and the alliance model is introduced along with the application of these contract strategies in the oil industry.

2.1 Contract Strategy

A fundamental part of a project's overall strategy is contained within the choice of the contract strategy, which again is connected to the project separate sub-strategies, such as the implementation strategy, communication strategy, and management strategy (Dovre International AS, 2008).

A contract strategy is an extensive plan on how procurement is to be carried out and evaluated in addition to identifying the best way of achieving the project objectives. One should be aware of several circumstances when choosing a contract strategy, such as distribution of work and responsibilities, uncertainties, selection of organizational design, and which contractual policies that are required for support of management in the execution phase (Dovre International AS, 2008; Lædre, 2006). Companies commonly utilize two types of contract strategy: general contract strategy applying for the whole business and specific contract strategy for the individual project (Dovre International AS, 2008). The selected strategy will impact the cooperation between the parties and thus both productivity and efficiency as shown in Figure 3 (Lædre, 2006).

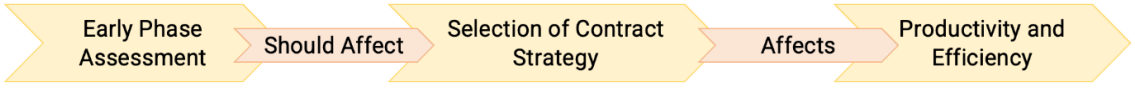

Figure 3 How early phase assessments affects productivity and efficiency through selection of contract strategy (Lædre, 2006)

Figure 3 shows the significance of a good contract strategy`s impact on project performance. Project benefits of a successful contract strategy may include: increased achievement of the project goal, positive impact on project cost, greater probability of completion on time, a more predictable implementation process, and a decrease in conflicts between the involved parties

(Tellefsen, 2020). In addition, it is important to consider overall business guidelines, regulatory guidelines or other general guidelines which are applicable for the company in question (Dovre International AS, 2008).

Contract strategy can be categorized along two dimensions: the degree of integration between the parties, and the degree of goal congruence in incentives (Figure 4) (P. Osmundsen, lecture notes, 10.02.2020).

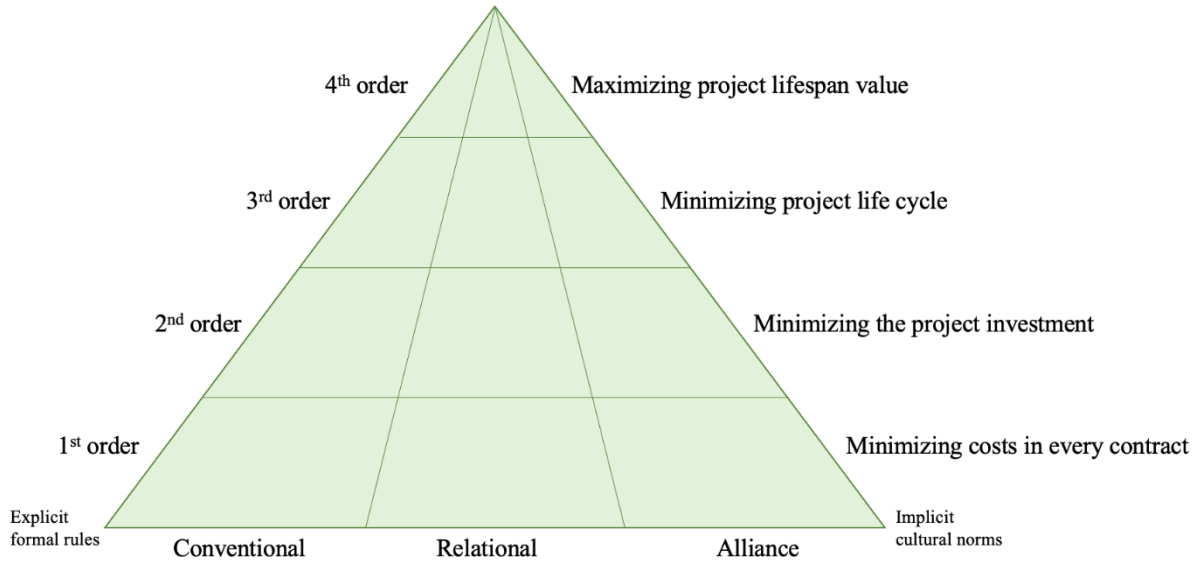

Figure 4 Three types of contract strategies (P. Osmundsen, lecture notes, 10.02.2020)

As shown in Figure 4, a contract strategy differentiates between conventional, relational and alliance models. A conventional model is based on formal, traditional, and legally detailed contracts. These agreements have a formal renegotiation, are based on incentives, and have fixed prices and/or rates (P. Osmundsen, lecture notes, 10.02.2020). Relational models are contingent on a combination of explicit formal rules and implicit cultural norms. The approach is based on continuous reciprocity adjustment, and missing contract details are solved with common goals, values, and norms. In this model, the rewards are often associated with long-term business relationships. Some of the characteristics acquired through the use of the relational model is trust, flexibility, better communication and cooperation. These characteristics can lead to greater exchange of experience between parties, less conflicts, the opportunity to shape value-creating cooperation's, and decrease the classic contradictions between the parties (P. Osmundsen, lecture notes, 10.02.2020). The alliance model is grounded on the relational approach with the aim to make the client and contractor collaborate towards a

common set of goals. This model has shared norms of trust and respect, and follows a clear procedure for joint risk management and dispute resolution (Suprapto et al., 2016).

As illustrated in Figure 4, the level of goal congruence in the incentives are divided into four stages of order: minimizing costs in every contract, minimizing the project investment, minimizing project life cycle, and maximizing project lifespan value. Greater integration between the parties are constantly emerging in today's industries with a desire to achieve the highest possible order of goal congruence in the incentives.

2.1.1 Types of Contracts

A significant element in contract strategy is the choice of contract type with associated compensation format. The main contract types can be divided into two categories: cost- and price contracts. The characteristics of a cost contract is that the contractor only has commitment to deliver the ordered items or services as long as the relevant costs are reimbursed in accordance with the terms of the contract, whereas in a price contract the contractor is obliged to deliver the ordered items or services at a the agreed price regardless of the costs (Lædre, 2006; Palmesen, 1998). Quantity, increase in price and wage, contract sum and time are crucial elements when deciding upon a contract type. In reference to the Norwegian contracts, there are mainly five different types (Table 1) (Cappelen, 2001).

Compensation format		**Risk distribution**	
		Client	**Contractor**
Fixed Price	Price/scope		Q*N*R
Fixed Sum	Price/scope		Q*N*R
Unit Price	Price/quantity	Q	N*R
Time and Material	Price/time Cost incurred + fee	Q*N	R
Cost Reimbursable	Cost incurred + fee	Q*N*R	

Q – Quantity N – Norms R – Rates

Table 1 *Compensation format and risk distribution*

Fixed price contracts, also known as lump sum contracts, involves setting a fixed contract sum for the contractors' services. In these types of contracts, quantity can be regulated, but the

contract sum is not adjustable for wage or price increases (Lædre, 2006). This means that the contractor can reduce the project price, while a cost reduction implies either a scope modification or further risk assumptions (Springer, 2019a). The contractor may be positioned with high uncertainty, hence this contract type is best suitable for projects with low uncertainty and high degree of specification (Lædre, 2006).

Fixed sum contracts are not adjustable for wage and price increases. In this contract type, the contract sum and quantity cannot be regulated (Cappelen, 2001; Lædre, 2006), which means that the contract sum is locked as soon as the contract is signed. This may lead to some uncertainty for the contractor if the project goes over time or budget, but then again, this contract type has a clear financial framework for the project. From the client's perspective, this contract type demands least financial follow-up and provides great budget security (Lædre, 2006).

In a unit price contract, the price is based upon quantity, hence there is not a fixed contract sum (Cappelen, 2001). In these types of contracts, the client often determines an estimated unit of quantity and a corresponding unit price (Lædre, 2006), where the contractor is paid for each quantity produced. Increases in wage and price can be adjusted by agreement (Cappelen, 2001). When utilizing this format, the contractor bears most of the uncertainty, but some risk is distributed to the client.

Time and material contracts can be considered as a combination of fixed price and cost reimbursable contracts. In a time and material contract, the exact value is not specified by the client. The contractor is paid by the number of hours spent on the agreed delivery, and is reimbursed for all the documented costs with an additional profit (Cappelen, 2001). The client covers all the uncertainty related to efficiency and productivity, while the contractor bears the risk related to hourly rates.

Cost reimbursable contracts, also called cost plus contracts, involves reimbursing the contractor for all the documented costs incurred when completing the work represented in the contract. Additionally, the contractor is awarded a profit. However, conditions regarding reimbursement premise that the costs are allowable by the project owner, hence the contract does not reimburse unnecessary or irrelevant costs (Springer, 2019a). In the cost reimbursable contracts, all the

uncertainty lies on the project owner, and is best suited in less specified projects containing high uncertainty (Lædre, 2006).

The different types of contracts described above are often combined with each other (Cappelen, 2001). The most favorable contract type or combination can vary and depends on multiple factors related to the procurement.

Another type of contract that is widely used is the framework agreement. A framework agreement is a contract between one or several clients and suppliers with the purpose to determine the terms of the contract governing the future contracts to be entered during the framework agreement period (DFØ, 2020a). The terms of the contract typically concern prices, what is to be supplied, delivery terms and other relevant matters related to the performance. The competition of a framework agreement is about winning the right to deliver the goods or services covered for the given period. A general rule states that this agreement cannot last more than four years (DFØ, 2020a).

In addition to the types of contracts mentioned above, other alternative contract formats are often used depending on the procurement. Among these we find consultancy agreements, leases, letter of intent and option contracts (Cappelen, 2001).

2.1.1.1 Selection Criteria

There are different criteria to consider when choosing a contract type. The selection criteria are mainly based on the scope's specifications and requirements related to the delivery, whether a competition can be established for the delivery, and the level of uncertainty (Dovre International AS, 2008).

For relatively small transactions with a high frequency, a standardized contract can be used. However, it is important to tailor the contracts for larger and more unique transactions. Bespoke contract design means that the contractor and the incentive mechanism must be tailored to special conditions for the client, supplier, and the delivery (Osmundsen, 2006).

Osmundsen (2006) suggest considering the following criteria associated with the choice of a bespoke contract type:

- To which extent the client needs control over the costs
- To which extent the client needs to influence the execution of the project
- To which extent co-location of the contracting parties is necessary
- To which extent project implementation is time-critical
- To which extent scope of work is well defined
- To which extent the project has a high R&D component
- To which extent the contractor is capable of turnkey deliveries
- To which extent the contractor can take part in the life cycle of the delivery
- To which extent the contracting parties can achieve corresponding/congruence goals
- Contracts and incentives schemes used by competing clients
- Forward contracts versus spot contracts
- The relative risk aversion of the contracting parties

The bullet points can advantageously be used as a checklist where the most important matters for each individual project should be emphasized when deciding upon the contract type. Projects often differs in scope, design, and execution, therefore the range of critical points will vary (Osmundsen, 2006).

2.1.2 Incentives

Closely related to the contract strategy is incentives and the reward or penalization linked to the actions in the given project. Incentives are defined in numerous ways, of which one statement is that incentives are a motivational factor that influence people's behavior and choices by making one option more preferable than another (Sagberg, 2018). There are a number of commonly used incentives associated with various compensation formats (Springer, 2019b). When deciding on a preferable contract strategy, the incentive between the client and contractor should be given attention (Lædre, 2006).

The use of incentives may be favorable if the aim is getting all involved parties in the contract to move in the same direction and towards the same goal. The form of reward may be linked to different aspects in the project, for instance time, cost, quality, scope, assignment of new projects, or recognition and honor. Incentives may contribute to a more evenly distributed

responsibility between the client and the contractor, in relation to uncertainty and management possibilities in the project. Normally, the client wants to get the lowest price possible on the demanded product or service to maximize their project value, while the contractor wants to minimize their cost within the contract agreement to enlarge their profit. Incentives can be beneficial to both parties if it increases the expected utility delivered, and gives the supplier an enhanced profit in the project (Lædre, 2006). Supplementary, Suprapto et al. (2016) concludes that projects are more likely to achieve better results if contractual incentives are used.

In order to have a successful incentive, critical factors such as ensuring that both the client and the contractor are able to influence the result of the project through actions, should be considered. Furthermore, the incentive should be both measurable and related to conditions that the contractor is in control of. Risk that is not leading to higher incentives should be avoided, responsibilities should be clearly specified, and the quality and functioning of the delivery should be agreed on in advance (Lædre, 2006).

Although the use of contractual incentives is mainly referred to as something positive, there are observed problems that need to be mentioned. Moral hazard or incentive problems can take place in the occurrence of conflict of interest between the client and contractor. Further instances may be unobservable actions and asymmetric information between the parties. Poorly designed incentives can be more damaging to the project than no incentives (Hagen, 1990).

2.2 Conventional Competitive Model

The conventional competitive model, also known as the traditional method, offers interested parties an opportunity to submit a bid for a job, with the conditions of delivery in accordance with the specified requirements described in the tender documents. The conventional model is often characterized by separation between the planning phase and the execution phase, which implies that the client is responsible for providing necessary documentation before inviting clients to competitive tender for execution of the work. Put differently, the client is accountable for design and cost control whereas the contractor's responsibility is performance of work (Davis et al., 2008; El Sawalhi and Agha, 2017).

Figure 5 displays the project life cycle that is divided into four phases: initiation, planning, execution, and closure. The initiation of the project emphases on preparation and clarification

of the project goals and requirements along with responsibilities and duties. Following is the planning phase that focuses on preparation of plans and budget, staffing and distribution of resources on work tasks, and risk management. When results have been created and the project is in the execution phase the focus is on status reports, handling of changes, the quality of the work, and forecasts on whether the budget and time framework are under control. In the closure of the project, documentation and training of the customer becomes important. Furthermore, the projects downsizing and releasing of resources can start while focusing on lessons learned (Karlsen, 2017).

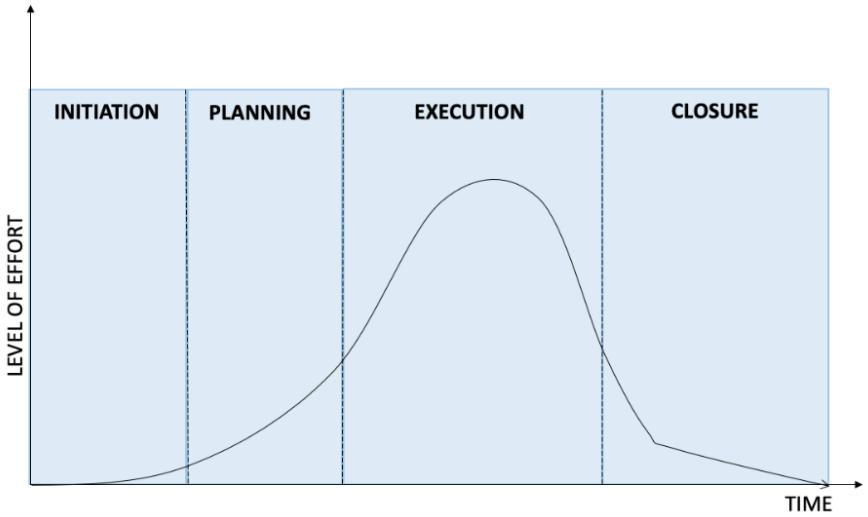

Figure 5 The project life cycle (Karlsen, 2017)

In addition, Figure 5 shows the level of effort associated with each phase in the project life cycle. The required input of resources is low in the initiation phase before it increases and reaches a peak in the execution phase. Hereafter, the level of effort decreases before the project eventually ends (Karlsen, 2017).

2.2.1 The Procurement Process

The procurement process explains how a firm deals with purchases of necessary materials and services to facilitate continued operations (DFØ, 2021). Figure 6 shows the fundamental steps in the procurement process for a competitive market.

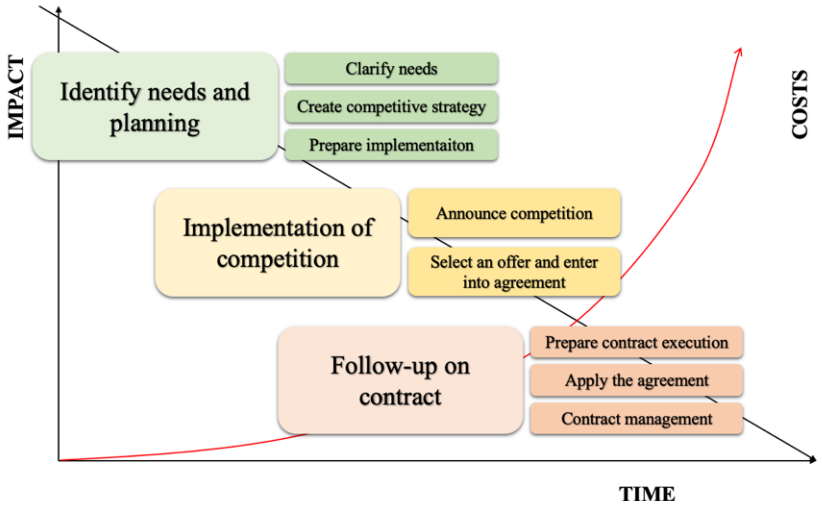

Figure 6 The procurement process (DFØ, 2021)

The ability to impact the project outcome is greater early in the procurement process and decreases with time (Figure 6). Therefore, the early phase with the decision of guidelines and premises are important. Good planning for later procurement phases is not useful if the initial work done is poorly executed. Additionally, a professionally and implemented competition that encounters the project needs is essential (DFØ, 2021).

Clarification of needs and preparations of the competition is the first step in the procurement process, and a part of the planning phase. In this phase, success factors include thorough assessments of project demands and commitment by management, thus one can increase the value creation and resource efficiency in the work of procurement. Activities to consider when conducting this phase includes: assessment of any need for a procurement and consequently the purpose of this, establishment of the contract strategy in connection with thorough assessment of needs, investigation of the market, sectioning of subcontracts, and establishment of a preliminary budget. There are various contractual formats to choose among when preparing the competition basis, such as an open competitive tender, limited competitive tender, competitive dialogue, framework agreements, and competitive tender with negotiation. Finally, the competition must be prepared, and qualification criteria in addition to other specifications must be determined. The scope of each activity varies depending on the strategic importance, complexity and the extent of the procurement (DFØ, 2020b).

Although the foundation of a successful procurement has been established in the planning phase, a good implementation of the competition itself can contribute to a successful agreement

with the preferred contractor. Initiation of the competition begins when the formal inquiry is made available in the market, where the intention is to enter into one or more contracts that contribute to achieving the objectives defined in the tender documentation. The implementation of the competition may differ in duration and scope depending on the contractual procedures chosen, number of tenders received, and the amount of documentation that needs to be reviewed. It is always important that the tender is conducted in a fair and moral manner (DFØ, 2019).

Contract follow-up is an important step of the procurement process where greater accomplishments of the goal are ensured through receiving contractual performance. Likewise, this stage helps to ensure that the agreed services or goods are delivered according to the agreement. The follow-up of the contract also contributes to good cooperation with the contractor, which may help to prevent possible misunderstandings and conflicts. Scope and duration of the contract follow-up varies for each individual agreement (DFØ, 2020c).

2.2.2 Advantages and Disadvantages

Davis et al. (2008) mention the following matters as the main advantages related to the use of the conventional competitive procurement model:

- Accountability as a consequence of the competitive selection
- Tendering contractors have access to the same information leading to competitive equity
- Price assurance as soon as the contract is awarded
- Management and organization of adjustments or changes are relatively simple to handle
- The traditional procurement model is well established in the market
- Direct influence by the design lead and client which may enhance overall design quality and facilitate a great proportion of functionality

Davis et al. (2008) mention the following matters as the main disadvantages related to the use of the conventional competitive procurement model:

- Preparation of the contract documentation may be a time-consuming process. Although tender documents can be developed on incomplete design, it is not desirable because it may lead to disputes and decreased cost and time certainty

- Since the strategy is sequential, overall project duration may be longer compared to other procurement methods
- The contractors do not have the opportunity to provide input to the design or planning of the project as the contracts have not yet been rewarded

2.2.3 Important Success Factors

Project success is assessed based on certain success factors, where achievement of desired performance is not seen as an easy task. Traditionally, project success has been evaluated with regards to the criteria represented in Figure 7, consequently whether the project is delivered on time, within budget, and on the predetermined quality performance. The Iron Triangle is widely used across industries as a measure of project success, even though some researchers believe it is excessive or incomplete (Jha and Iyer, 2007; Pollack et al., 2018). Commitment, coordination, competence, top management support (Jha and Iyer, 2007), and the existence of a dedicated project manager are some of the success factors for achievement of the desired cost, time and quality in the project (Berssaneti and Carvalho, 2015).

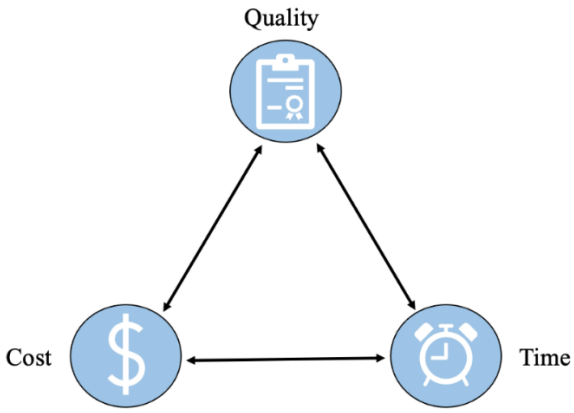

Figure 7 The iron triangle (Pollack et al., 2018)

The criteria shown in Figure 7 are closely linked to a traditional plan-driven method where cost, progress, and scope are fixed variables entering into a contract. Hence, clarity around these three elements should be covered from the initiation phase. Related to this, the choice of contract type, incentives, and compensation format are seen as success factors for the project result (Lædre, 2006).

2.2.4 Common Causes of Project Failure

Failure can happen in any phase of the project life cycle. However, most of the time it occurs during the execution or postimplementation phase of the project. There is not a clear definition of project failure and the line between project success or failure is not definite (Kerzner, 2014).

Karlsen (2017) and Kerzner (2014) mentions the following reasons for why projects fail:

- Unclear vision or goal
- Unrealistic expectations
- New employees
- Issues regarding prioritizing
- The overall project planning is not sufficient
- Poor assessment of risk in the project
- The follow-up is not sufficient
- Lack of the right competence in the planning phase
- Responsibilities are not clear
- Lack of resources

There are several reasons for project failure and any single cause mentioned above can trigger a project to be unsuccessful. However, it is more likely that a combination of these causes are the actual reason for the project failure (Kerzner, 2014).

2.2.5 Commonly used Contracts in the Oil Industry

Operators on the NCS have different competitive strategies when it comes to procurement and contract schemes for their projects. The choice of contract strategy includes securing the suppliers and competitive prices for each project, which take into account elements such as the complexity and the size of the project, suppliers and clients expertise and experience, and the market capacity (Norwegian Petroleum Directorate, 2013).

Offshore oil and gas projects are mainly divided into a planning phase and an implementation phase, as illustrated in Figure 8. Included in the planning phase are preparation of the final scope of work, establishment of an implementation plan, development of a contract strategy, gathering of the supplier's offers, and selection of a contractor. Preparation of good and realistic estimates for the times of implementation, effort of work and cost are an important

part of the planning phase. Completion of detailed engineering is done in the implementation phase. Additionally, the selected concepts are constructed and installed before it is brought into operation (Norwegian Petroleum Directorate, 2013).

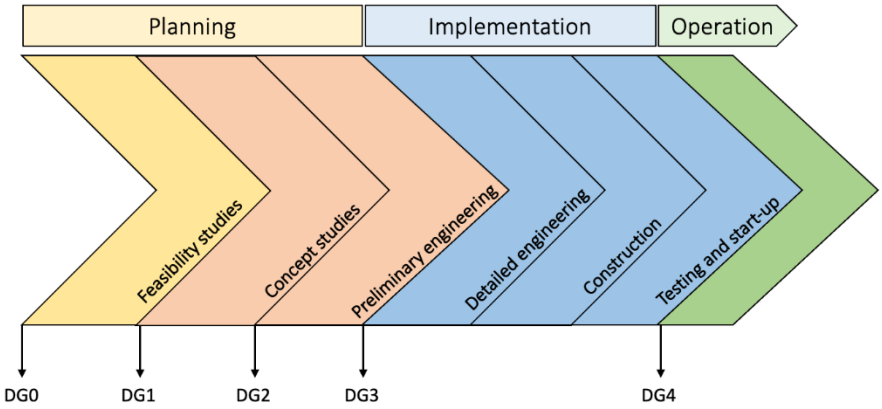

Figure 8 The project development process (Norwegian Petroleum Directorate, 2013)

Projects can be divided in many ways, where the degree of follow-up required from the operator varies in relation to the type of contract entered. Which part of a project that is included in the contract depends on the given project and the operator involved (Norwegian Petroleum Directorate, 2013). Table 2 displays some explanations of concepts that are utilized in connection with the contracts.

	Explanation of some concepts utilized in connection with contracts
E	Engineering
P	Procurement
C	Construction
F	Fabrication
Ma	Management assist
I	Installation
H	Hook up
C	Commissioning

Table 2 Main activities normally included in contracts (Norwegian Petroleum Directorate, 2013)

An increasing part of the Norwegian petroleum activities is executed by suppliers, among other things through the use of EPC, EPCI, and EPCM contracts (Table 2). In these contracts, the supplier is given greater responsibility with regard to the planning and implementation of a delivery (Nilsen, 2014; Sørensen et al., 2005). Comprehensive EPC contracts are often referred to as turnkey assignments, meaning that the operator companies expect to receive turnkey components or products (Nilsen, 2014).

There are both advantages and disadvantages when awarding large EPC contracts in development projects. The follow-up work from the operator towards the suppliers is reduced because the overall responsibility for the execution and delivery is transferred to the supplier. In addition, problems regarding interfaces are eliminated since delivery only requires one contact point. On the other hand, few suppliers are willing to undertake these responsibilities due to financial risks (Nilsen, 2014).

A higher degree of outsourcing has challenged the operating companies in terms of coordination and management of the supplier portfolio. Different financial goals and motivation between the operator and the contractor makes it even more difficult, hence, increased importance of the contract design and implementation of the tender process. Additionally, an enhanced emphasis on incentives in offshore contracts has provided a greater target on financial indicators and introduced incentive agreements (Sørensen et al., 2005).

2.3 Alliance Model

The cooperation among different enterprises has existed for decades with a varying degree of collaboration and under different names, such as partnering, alliances, strategic alliances, collaboration models. The term alliances are used as the denotation in the thesis.

Alliances can appear in several formats, ranging from informal simple deals to more complex and comprehensive agreements (Chan et al., 1997). One can find numerous definitions of alliances, where one is “A voluntary agreement – the partnership among enterprises that includes exchange of products and development of technologies or services” (Kinderis and Jucevičius, 2013). Additionally, Contractor and Ra (2000) states that “alliance is a contractual action between two or more enterprises related with business risk management”.

The motive for using alliances is linked to a variety of reasons, such as possibilities related to enhancing the access to new technologies and additional knowledge outside the firm's boundaries, gaining a competitive advantage in the market, and sharing of uncertainty and/or risk with the companions. The desirable effect of using alliances will not only lead to improvement and reduction of the total project cost, but more importantly lead to growth and development of the partners over time (Kale et al., 2000; Kinderis and Jucevičius, 2013).

On the other hand, the alliance strategy has proven to be problematic when projects get exceedances and delays. If one relies too much on relationships, one may risk being less thorough in the original contract and especially in the implementation of the project. This may lead to conflicts that will be more demanding to resolve than with the traditional model, as the regulations are not as distinct (P. Osmundsen, lecture notes, 10.02.2020).

Alliances, also known as a non-traditional contractual relationship, are able to facilitate greater integration compared to the conventional competitive model by rewarding the contractor for attending to the client's interest. The use of incentives in an alliance model contributes to a more even division of risks and rewards. Additionally, the incentives can lead to common goals, which in turn can create better conditions for a cooperation that will find enhanced solutions for the projects. (Lædre, 2006). Even if common goals are desirable, it is important to distinguish between the organizations. One's income is the other's expense. This is easily forgotten when working in integrated project teams (P. Osmundsen, lecture notes, 10.02.2020).

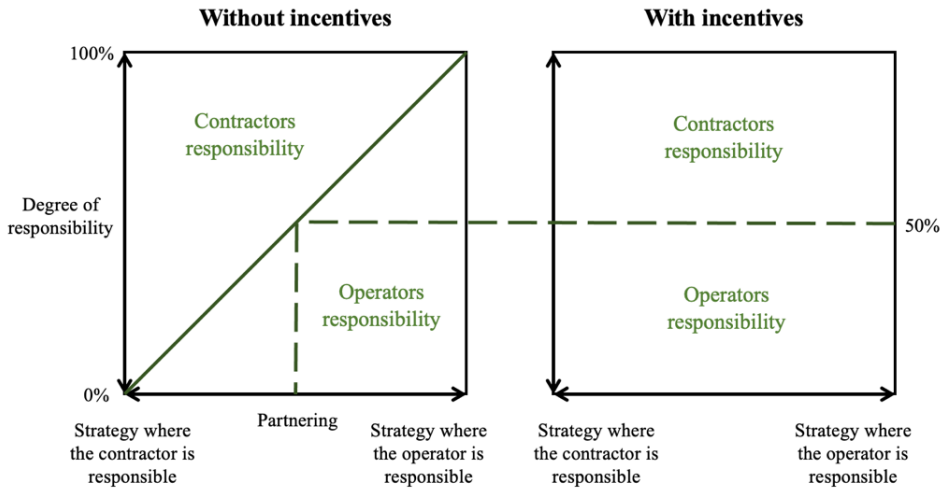

Figure 9 The distribution of responsibilities both with and without incentives (Lædre, 2006)

Figure 9 illustrates the distribution of responsibilities in a conventional competitive model without incentives and in a non-traditional model with incentives. Partnering represents an intermediate between traditional and non-traditional models but is often associated with non-traditional contract terms where the responsibilities are shared. Using incentives with shared risk and reward appears to be advantageous in larger projects with uncertainty related to time and costs (Lædre, 2006).

2.3.1 Advantages and Disadvantages

The advantages and disadvantages of an alliance model can vary depending on the choice of format and strategy. Among other thing, the following advantages and disadvantages are mentioned by Lahdenperä (2009), Tjemkes et al. (2012) and P. Osmundsen (lecture notes, 10.02.2020):

Advantages:

- Greater access to resources
- Long-term relationship with the contractors
- Shared risk and cost between the alliance partners
- Learning through shared knowledge and experiences
- Higher flexibility
- Early involvement can lead to former project implementation
- Common goals
- Increased efficiency and productivity reduce time and cost
- Improved life cycle economy
- The client may have secured capacity in periods with scarce resources. Conversely, the agreement can act as an insurance for the supplier in downturns

Disadvantages:

- The complexity of the management and cooperation between multiple firms
- Financial and organizational risks
- Lack of willingness to learn can make it difficult to integrate and exploit new knowledge
- Partnerships through alliances may prevent collaboration or partnership with other potential firms in the market

- Leak of proprietary information, for example to a potential competitor
- Loss of control and decision autonomy due to joint planning and decision making
- Competition is reduced by the establishment of alliances
- It is not always clear what has been agreed and who will pay, for example by technological developments
- Fast and flexible work often means that you are not always careful with variation orders, which can affect the supplier
- Miss out on new technology

2.3.2 Important Success Factors

There are many important factors that influence whether an alliance is successful or not. One crucial factor is the selection of partners. Das & Teng (2003) states that the choice of a good partner includes finding desirable similarity between the partners' strategies, goals and resources. In order to have a successful alliance, the level of fit among partners is significant. Russo and Cesarani (2017) designates partner complementarity, congruence, and compatibility as three fundamental criteria to consider in partner selection. Partner complementarity indicates strategic fit, where the level of fit is higher when the alignment of complementary resources is used to cover the partners' different gaps. The partners' congruence involves the goals and objective arrangements. Even though the partners have different objectives, they need to be compatible in order to achieve success. Unachievable objectives can lead the alliance towards failure (Russo and Cesarani, 2017).

Some theorist's state that successful relational exchanges are significant building blocks for alliance success. Factors associated with these include trust, commitment, communication, and cooperation. Alliances characterized by successful communication may lead to increased trust and more efficient cooperation, which in turn, will let the partners combine their knowledge and resources to contribute development of competitive advantages (Wittmann et al., 2009).

It is mentioned by some researchers that the success of alliances is significantly affected by the company's ability to develop an alliance competence (Lambe et al., 2002). In order to achieve alliance success, the companies have to identify and integrate resources, which will permit development and management of alliances (Wittmann et al., 2009). The alliance competence contributes to a direct positive effect on the success of the alliance and is in addition indirectly

affected by positively impacting the acquisition of complementary resources and the establishment of idiosyncratic resources (Lambe et al., 2002). Knowledge management is fundamental to the development and maintenance of alliance competence, for this reason sharing of knowledge and experience from individuals within the alliance is crucial and may lead to alliance success (Wittmann et al., 2009).

Alliance success is affected by the resources contributed by each alliance partner, and to which extent the alliance is capable of creating new resources (Wittmann et al., 2009). In addition to the individual resources brought into the alliance by each alliance partner, there is induced new common resources within the alliance. These are called idiosyncratic resources and can be developed during the alliance period or created by combining the resources of the alliance partners (Wittmann et al., 2009). Das and Teng (2000) states that a synergetic effect may arise if the alliance partners integrate resources, which can lead to higher benefit of the integrated funds compared to the sum of each individual company`s value of resources. Through empirical research it has been found that idiosyncratic resources are prominent in alliance success (Lambe et al., 2002).

Alliance management includes leadership and control of the alliance, and is crucial in order to achieve alliance success. Draulans et al. (2003) states that the rate of alliance success can be increased by building a dedicated alliance management function. The function`s responsibility is to coordinate activities related to the alliance that may conduct alliance management improvement (Sluyts et al., 2011). Building the alliance function properly will allow the companies to easily accumulate experiences, make sure that sufficient resources are consecrated to the alliance, develop the alliance strategy, and further increase infrastructure to enhance the alliance process and support the alliance management (Sluyts et al., 2011).

2.3.3 Common Causes of Project Failure

Establishing a well-executed and successful alliance has proven to be difficult. The success factors described in the previous section are also the pitfalls of an alliance. Masoud et al. (2019) have listed the following bullet points as the main factors that can cause alliances to fail:

- Wrong choice of partners
- Unrealistic market expectations
- Stakeholder management

- Lack of trust
- Missing engagement and obligation
- Different culture
- Bad communication
- Different management styles
- Undefined and different strategic goals
- Repeated mistakes and failures leading to a damaged image of the alliance

An example of a failed alliance was the alliance between Volvo and Renault from 1990 to 1994. The main six factors that undermined the alliance was misalignment of senior and operating managers, path dependencies, recontracting of the alliance, leadership style and culture (Bruner and Spekman, 1998).

3 Aker BP's Alliance Model

The material presented in this chapter is collected from internal resources in Aker BP, such as reports, documents, and conversations.

In 2016, Aker BP introduced the alliance model and the organization's new collaboration principles, where the main objectives were greater cooperation across the supply chain, improved delivery time and efficiency, and ultimately reduction of project time and cost. Bringing the client and contractors together to create a joint set of goals and principles for collaboration is fundamental in the alliance model.

The implementation of the alliance model is one of the measures conducted as a consequence of the continuous need for improvement of project execution in a highly competitive industry. Additionally, companies in the sector continuously need to respond to changes concerning rules and legislations and the ever-increasing attention associated with the industry's impact on the climate. Aker BP`s strategy aims to create long-lasting alliances that work together as an integrated team, with a common objective to reduce the total expense and eliminate operations that do not generate any value to the project. Moreover, this should help increase the value creation and the firm's competitiveness.

Aker BP`s projects are developed in collaborations with their alliance partners that are divided into eight different alliances (Figure 10) and distributed within the three owner functions: drilling and well, projects, and operations.

Figure 10 Aker BP`s alliances (Arne Magnus Rise, personal communication, 07.06.2021)

The purpose of each alliance, displayed in Figure 10, is to bring the experts together in one team. Finding the leading contractors within each field is important for Aker BP when selecting strategic partners for long-term collaboration. Consequently, this gives the operator access to the best knowledge and technology at all times. Such alliances will give Aker BP the opportunity to increase their value creation as a result of a more effective execution process, hence reduction of cost.

3.1 The Structure of the Alliance Model

Aker BP's alliance model is a cooperation between the selected contractors and Aker BP that enables project execution by means of a fully integrated organization comprising both client and contractor personnel. The alliance executes projects and preserves proprietorship from front end engineering to offshore commissioning, before delivering to operations, which will ensure efficient interface management and smooth transition between the various project phases.

The alliance contracts are based on non-exclusive, long-term framework agreements. These are competitively tendered and negotiated in favorable market conditions, subject to an extensive prequalification process and succeeded by evaluation and negotiation. The alliances are not considered as legal entities, hence, the terms and conditions, prices, and rates specified in these agreements compose the contractual basis for the work performed.

Aker BP's strategy is to be cost-effective and value-creating. The alliance model and the framework agreement emphasis interaction and follow-up of selected key figures in order to drive performance for each well operation and well project. Adequate balance between innovation, risk, cost, and required quality and service levels are secured by the following:

- Choosing contractors with sufficient capacity and expertise, alliance skills, and the right digitalization strategy
- Include and collaborate with the chosen contractors in the planning and execution phases. Additionally, use their expertise in selection of the right technologies and solutions for well objectives, performance, and continuous improvement in workflow efficiency
- Minimizing the number of contractors

- Emphasize long-term agreements that can be used across the organization and projects
- Consider that important environmental, health, and work environment aspects are taken care of
- Consider identified risk and the market situation

One of the prominent features achieved by utilizing the alliance model is early involvement and mobilization of key project resources, including engineering, procurement, construction, and installation specialists. This will lead to early maturing of the concept and scope of work, alignment of engineering and design with fabrication and offshore installation methods, and preparation of long lead items and procurement priorities before passing DG3. Another prominent feature is the continuation of personnel and teams, methods, tools, and systems during all project phases, which leads to lesson learned and continuous improvement throughout the project lifecycle. Furthermore, it will lead to standardization, repetition and re-use, quality improvement, and cost reduction. By using fully integrated teams, the best suitable person is assigned to the job, without duplicating resources. The final prominent feature is the one-team approach where the alliance shares risk and reward, which provides predictable contract management and reduces the overall project development cost and schedule by incentivized compensation.

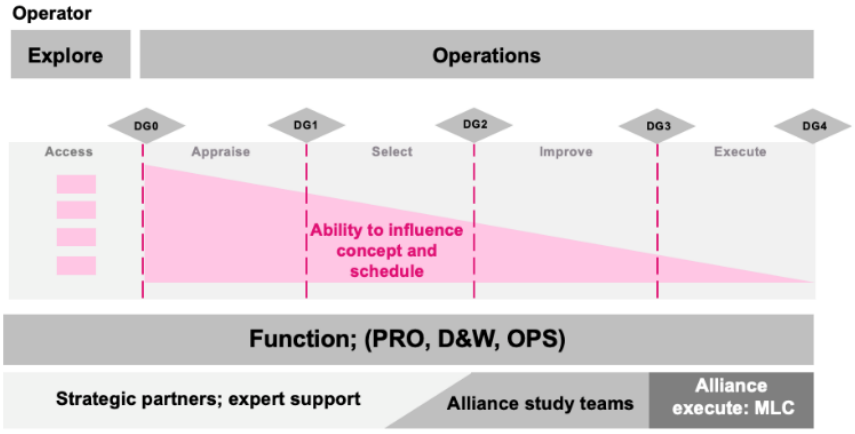

Figure 11 Alliances involved from front end loading (Arne Magnus Rise, personal communication, 15.10.2020)

Figure 11 illustrates the different phases from DG0 to DG4 in a project executed utilizing the alliance model. Involving the alliances as early as possible in the development of the project ensures that the strategic partners expertise helps improve the concept, give clarity on scope of work, and share perspective on risk, opportunities, and barriers between the operator,

stakeholders and the alliance. Continued effort and smooth transaction reduce the execution schedule significantly.

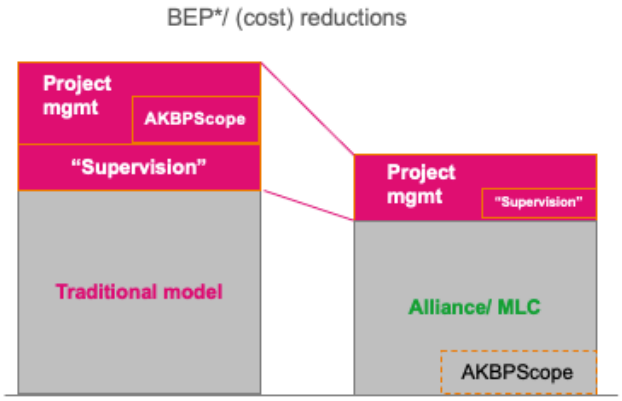

Figure 12 Alliance target illustration (Arne Magnus Rise, personal communication, 15.10.2020)

Figure 12 illustrates the target when using the alliance model in comparison to the traditional model. Some enablers when using the alliance model are; getting better solutions from the one-team and front end loading, reduction of risk and improved quality to entitle significant cost reductions, and the transferring of the scope into the alliance to make sure that the total delivery is improved.

3.1.1 Compensation Philosophy

The alliance model's compensation philosophy is based on an incentivized most likely cost (MLC) that is negotiated in accordance with established estimation manuals obtained from the alliance execution manual. In the MLC compensation format, the alliance partners share risk and reward of overruns and underruns in a predefined manner (Figure 13). This compensation format is based on a fully transparent philosophy and is developed and matured through the front end engineering design (FEED), and finally approved, prior to sanctioning of the project, in DG3.

Changes in scope are continually handled as a variation order, hence as a traditional change in the framework agreement. Normally, this will have an implication of time and cost and will be included as a change in the MLC.

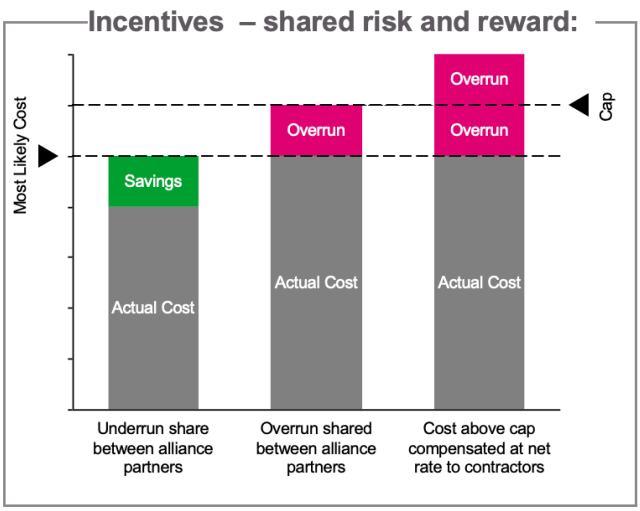

Figure 13 The MLC compensation format (Olav Henriksen, personal communication, 15.10.2020)

The key principles of the shared risk and reward model is that the MLC a) shall be calculated in accordance with an agreed predetermined estimating methodology, b) calculation process shall be transparent between the alliance partners, c) shall be benchmarked for competitiveness under prevailing market conditions, and d) shall be submitted by the parties to the alliance steering committee and the company's management for review and endorsement.

3.1.2 Benchmarking

Competitive bidding and transparency are important principles in Aker BP's alliance execution model. A large part of the scope of work is related to the procurement of services, equipment, bulk and / or subcontracts. The majority of these must be subject to competitive tenders that reflect the prevailing market price or are benchmarked for their competitiveness, regardless of whether it is provided by alliance partners. Some of the rates and prices such as engineering rates, man-hour norms, rates and prices for vessels are based on framework agreements won by competitive tendering and negotiations. Furthermore, the basis for the MLC is formed by all tenders being executed with a transparent open book philosophy. Every alliance partner must continuously justify its existence by documenting competitiveness through efficiency in project execution, ability to deliver, norms, rates, and prices.

3.2 Alliance overview

Aker BP has engaged different alliances such as the drilling and well alliance, the subsea alliance, the modification alliance, the fixed facility alliance, and the asset integrity alliance.

These partnerships are assembled to solve specific tasks with the purpose of creating project value through long-term cooperation.

3.2.1 Drilling & Well Alliance

Within the drilling and well (D&W) alliance, there are two strategic alliances: The jack-up alliance and the semi alliance. Their main responsibilities are executing well construction projects and maintaining ownership from the design phase through to offshore execution and post-operation analysis. The D&W framework agreements are valid for 5+5 years. Figure 14 represents the organization of the semi and jack-up alliances.

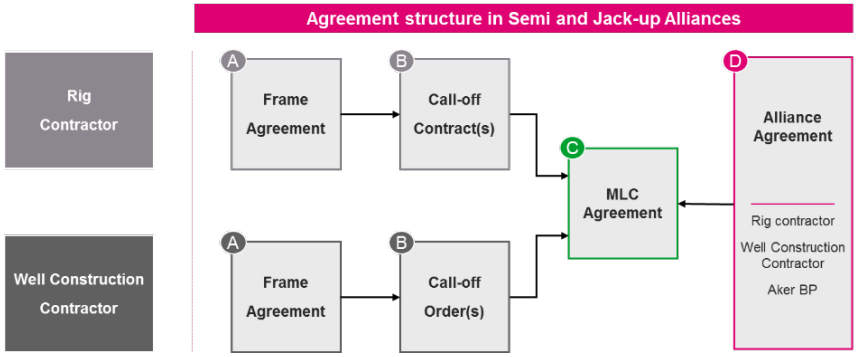

Figure 14 Agreement structure in the D&W alliance (Håkon W. Fjellestad, personal communication, 04.03.2021)

In addition to the semi and jack-up alliance, Aker BP has established a one-team well intervention & stimulation alliance with the objective to shorten the lead time from discovery to first oil, maximizing and maintaining existing well production, and reducing waste in the entire value chain.

3.2.2 Subsea Alliance

The subsea alliance is based on the award of a framework agreement with a validity of 4+2+2 years. Even though Subsea 7 and Aker Solutions have been selected as strategic subsea partners, competitive biddings are conducted on certain suppliers belonging to the subsea alliance. Equipment, bulk and/or subcontracting are competitively bid on with transparency through the Subsea Alliance.

The resources in the subsea alliance perform and organize the applicable scope to achieve:

- Early involvement and mobilization of project resources
- One-team approach and co-location of key resources that continues from project to project
- Transparency to align the performance and priorities in the best joint interest of parties
- Optimize reporting for cost, progress, and information management
- Coordinate activities within engineering, procurement, construction, and installation with dependencies across the subsea alliance
- A shorter project execution time

3.2.3 Modification Alliance

The modification alliance is based on the award of a framework agreement with a validity of 5 years. Aker Solutions is the incumbent alliance partner with responsibility for engineering, modification, and maintenance. The overall responsibility of the modification alliance is the development of a brownfield transportation and logistics strategy ensuring timely deliveries of materials, manufactured equipment, and prefabricated components in support of the projects.

3.2.4 Fixed Facility Alliance

In September 2017 the fixed facility agreement was signed, with a period of validity of 6+4 years and is based upon a framework agreement signed in April 2017. The fixed facility alliance consists of two alliances; wellhead platform and field center platform. The alliance partners negotiate and agree on an MLC agreement where Aker Solutions are responsible for engineering and procurement, ABB for electro, instrument, control, telecom and Kvaerner for construction and hook-up.

FEED, detailed engineering, procurement, construction, installation, offshore hook-up, commissioning, and handover to operations are the principal scope of work elements between DG2 and DG4 for fixed structure facilities. Resources in the fixed facility alliance perform and organize the applicable scope to achieve synergies and efficiencies established, including the bullet points mentioned for the subsea alliance (Chapter 3.2.2). Additionally, the fixed facility alliance should coordinate activities within engineering, procurement, installation, and hook-up, including but not limited to; management of risk and health, safety, environment and quality

(HSEQ), standardization of engineering procedures and documentation requirements and pre-qualification of subcontractors and third parties.

3.2.5 Asset Integrity Alliance

The asset integrity alliance consists of Aker BP, KAEFER, Prezioso Linjebygg and FORCE Technology, and was signed in 2018 with the aim to provide services within integrity management, platform services and access technology for Aker BP's installations. The mission of this alliance is to increase productivity, quality, flow, and time efficiency in the overall value chain by planning and implementing the operations in a safe and cost-effective manner.

4 Methodology

This section will present research methodology and the choice of research method utilized in the thesis. Initially, a description of the method used for data collection and analysis is given. Finally, the validity, reliability and ethical considerations of the collected data are discussed.

4.1 Qualitative and Quantitative Research

Qualitative research emphasizes the quality of processes and units, as opposed to quantitative research where the units and processes are experimentally examined or measured in terms of quantity, amount, intensity or frequency (Denzin and Lincoln, 2003). Tjora (2017) states that qualitative research emphasizes insight and understanding, while quantitative emphasizes overview and explanation.

Qualitative methods are based on theories of interpretation and human experiences (De nasjonale forskningsetiske komiteene, 2019; Grønmo, 2020a). There are different types of qualitative methods such as interviews, participatory observations, ethnography, focus groups, and qualitative content analysis (Grønmo, 2020a). The methods include various forms of systematic data collection and analysis of data material from conversations, observations or written texts (De nasjonale forskningsetiske komiteene, 2019).

The quantitative method is analyzing the collected data by using statistical methods, such as table analysis, correlation analysis or regression analysis. A table analysis shows either the distribution of units at different values or reveals the relationships between a few variables. The correlation analysis reveals the correlation between two variables, while the regression analysis shows how a dependent variable is affected by one or several independent variables. The choice of quantitative data analysis depends on the research question, the number and the types of variables, the relationship between the variables and the level of measurement of the variables (Grønmo, 2020b).

4.1.1 The Choice of Method

It is important and crucial to choose a research method that contributes to answering the problem and research questions of the thesis. As it appears in Chapter 1.3, we have chosen to investigate the following research questions:

1. What advantages and challenges are Aker BP`s alliance model facing today?

2. How will Aker BP's alliance model affect a possible future collaboration with suppliers on the Norwegian Continental Shelf?
3. How well prepared is Aker BP`s alliance model for the estimated market peak in around 2025?

Based on the research questions above, we have chosen to use a qualitative research method. As there is limited research conducted on the use of alliance contracts on the NCS, this study is dependent on experiences and additional information from relevant people within the industry in order to meet the thesis' goals. The collection of data is mainly done through interviews. Additionally, a quantitative research method was used to analyze some of the answers given regarding the alliance model`s advantages, disadvantages, success criteria and pitfalls.

As this method is based on relationships between the interviewers and the participants, as well as personal opinions and experiences, the research can be difficult to verify.

4.2 Literature Study

A literature study has been carried out and used in the theoretical part of the thesis to give necessary knowledge about the topic. The collected data are gathered from textbooks, public publications, reports, web pages, newspapers, and lecture notes. Data presented in Chapter 3 has been collected through meetings with relevant personnel and documentation sent by our supervisor in Aker BP. The quality and content of the data collected have been assessed, and a decision has been made as to whether selected sources should be considered reliable.

4.3 Interview

Qualitative research interviews aim to understand the participants perspective, experience and behavior upon a specific topic, by asking questions to evoke information. Denzin and Lincoln (2003) states that interviews are an interaction between at least two people leading to negotiated and contextual results, hence are not an impartial tool. There are numerous types of interviews, ranging from structured to more unstructured forms, that all serve separate purposes. Interviews can be used as a research method where the conversation between the interviewer and the interviewee shapes the knowledge and information outcome. The questioning has a structure

and an objective to be answered, consequently goes beyond an everyday dialog. (Brinkmann and Kvale, 2015; Denzin and Lincoln, 2003).

Planning of a successful qualitative research interview and development of good interview questions is not always easy. Even though the researcher chooses the topic and is in control of the situation, the interviewee's common understanding of the questions and the subject is essential. The seven practical steps of research interviewing shown in Figure 15 is used to conduct a questioning that helps to answer the thesis defined scope. Additionally, it will help to make the right decision regarding choice of interview method for the particular study. (Brinkmann and Kvale, 2015).

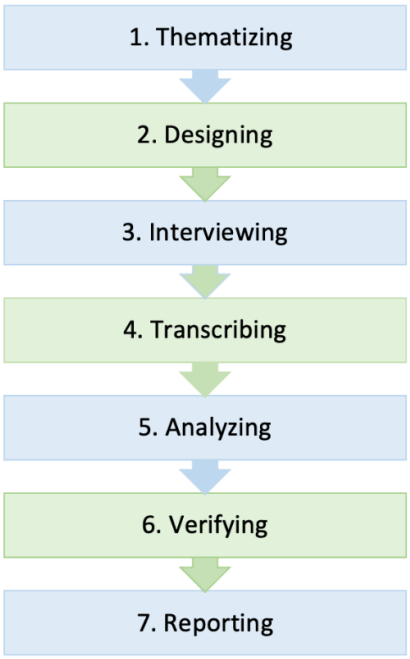

Figure 15 Seven stages of research interviewing

The seven steps of qualitative interview investigation (Figure 15) are listed as a linear sequence: (1) thematizing, (2) designing, (3) interviewing, (4) transcribing, (5) analyzing, (6) verifying, and (7) reporting. Each stage accompanies a definite decision that needs to be provided across the interview process, from initial vision to final report (Brinkmann and Kvale, 2015).

Thematizing (1), is the first of seven steps, and addresses the objective of the investigation. Early development of the research questions linked to the topic is important to identify what the interview is intended to answer. Without a clearly specified objective it will be difficult to

choose a method that leads the way towards the goal. Secondly the design (2) of the study is decided by taking all seven stages into account (Brinkmann and Kvale, 2015). Ryan et al. (2009) categorize interviews in three major groups: structured interviews, semi-structured interviews, and unstructured interviews. Obtaining the intended knowledge and remembering the moral implications related to the study are important when selecting a design. Thereafter the interviews are conducted (3) where considerations such as interpersonal relations and well worded interview questions reflecting the knowledge sought is essential. Once the interviews are completed, the transcribing (4) from oral speech to written text is conducted as a preparation for the analyzing phase (5). In this stage one should decide the most appropriate mode of analysis for the interviews conducted. Finally, reliability and validity are considered in the verifying phase (6), before reporting (7) of the findings and method are done in a scientific manner. Utilizing the practical steps in Figure 15 makes the planning and implementation of the interviews more organized and assists in retaining the original goal throughout the investigation (Brinkmann and Kvale, 2015).

4.3.1 The Structure of the Interview

The interviews used to collect data in qualitative research are often categorized as unstructured interviews, semi-structured interviews, and structured interviews, where each interview type has its advantages and disadvantages. The research question should form the basis and help determine which interview structure that is best suited for the relevant study (Langdridge, 2006).

Unstructured interviews are characterized by the lack of a predefined setup and structure. They are exploratory and useful in situations where the researcher has restricted knowledge about the topic in question. Some advantages of the interview structure are flexibility, collection of rich data, a more relaxing atmosphere for the interviewee, and often gathering of valid and meaningful data. The disadvantages could be; that it quickly becomes unsystematic, the complexity of analyzing the data, that it is strongly influenced by interpersonal factors, and lack of reliability (Langdridge, 2006).

Semi-structured interviews follow a standardized layout with predefined questions in a more or less fixed order. Despite the pre-established plan, the researcher does not need to follow it strictly. The questions are usually open, allowing the interviewee to elaborate their answers.

Some of the advantages of choosing this interview structure is that; it is easier to compare the answers and data, no topics are overlooked, there are less biases due to interpersonal factors, and those interviewed are not hampered by predefined answers. Disadvantages could be that; there is less flexibility for the interviewer, the formulation of the questions may have a limiting effect on the amount of information, the interview is less natural, and the coding of responses will still be prone to bias (Langdridge, 2006).

Structured interviews are carried out in a much stricter way with a predefined fixed and organized set of questions that the interviewer must adhere to. This form of interviews is comparable to a guided questionnaire that are commonly used for complicated surveys or when interviewees cannot fill the form on their own. Advantages related to this structure is that; it is easy to administer, it is easy to replicate, the results are generalizable, the analysis of the data is easy, the bias is reduced, there is less influence from interpersonal variables, and it has high reliability. Disadvantages that should be mentioned is that; the interviewee gets inhibited, the access to information becomes limited, and the information can be distorted due to poorly formulated questions (Langdridge, 2006).

4.3.2 Semi-structured Interview

Brinkmann and Kvale (2015) defines semi-structured interviews as "an interview with the purpose of obtaining descriptions of the life world of the interviewee in order to interpret the meaning of the described phenomena". This form of questioning gives the opportunity to both ask predetermined questions related to the topic and at the same time explore relevant spontaneously raised issues (Barbour, 2014; Frances et al., 2009).

This thesis aims to collect data from interviewees with different perspectives, experience, and background related to the use of alliances in projects on the NCS. The semi-structured interview is suitable as it focuses on the story told by each participant and facilitates the gathering of richer and more textured data by asking open-ended questions, succeeded by the ability to follow topical trajectories. Additionally, it allows the interviewer to prepare questions beforehand to help guide the conversation on topic (Barbour, 2014; Frances et al., 2009).

The structure of the thesis and implementation of the interview process are based on the seven stages in Figure 15, where the research questions decided upon in thematization (1) have

formed the basis of the selection of design (2), hence the conduction of semi-structured interviews. Once the method is decided, Adams (2015) recommends the following steps when scheming semi-structured interviews: selection and recruitment of respondents, drafting of questions and an interview guide, and getting to know techniques for this type of interviewing.

Preparation of the semi-structured interview commenced with dividing interview objects into four groupings with different affiliations to the alliance model (Section 4.3.3). Recruiting of interviewees started in mid-January, followed by the establishment of the interview guide (Section 4.3.4). Preparation on how to conduct oneself during interviews and familiarity with modes of questioning was retrieved from relevant literature. Subsequently, questions were prepared and optimized by conducting a piloting of the interview (Section 4.3.5). The questions related to each predefined topic were adapted to the different interview groups. All interviews were carried out online and the validity and reliability of each interview were reviewed prior to transcription.

4.3.3 Interview Objects

To get a broader data collection that helps answer the research questions in the best possible way, we have chosen to interview participants from Aker BP, alliance partners, suppliers outside the alliance, and license partners (Table 3). In this study, a total of 18 interview objects were contacted and 18 interviews were conducted. Most of the participants were recommended by our head of contact in Aker BP or by further recommendation from the interview objects. The participants had different experience, knowledge, and perspectives on working within or outside the alliances.

Involved in the alliance		Not involved in the alliance	
Group 1	**Group 2**	**Group 3**	**Group 4**
Client	**Alliance partners**	**Possible contractors**	**License partners**
Aker BP	Contractors in the alliance	Contractors outside the alliance	Aker BP's license partners
5 interviews	4 interviews	5 interviews	4 interviews

Table 3 Interview objects

The first interview group consisted of key personnel working within the alliance from the client perspective, i.e. Aker BP. From this group, the participants had different backgrounds such as project managers and leaders within the alliances. The second group consisted of representants from the alliance partners with positions such as project manager, portfolio manager, engineering manager and leaders. The third group consisted of contractors which are not in the alliances but working with Aker BP in the competitive market. Some of these contractors have previously bid for framework agreements, whilst some are competitors of alliance partners. The fourth group consisted of a selection of Aker BP's license partners.

4.3.4 Interview Guide

Prior to the interviews, an interview guide was prepared and sent to the participants. The interview guide briefly describes the background of the thesis, an introduction of the interviewers and the research questions. Additionally, the interview guide contained the purpose of the interview to prepare the participants on the topic, and some practical information about the data collection. The interview guide can be found in Appendix A.

4.3.5 Pilot Interview

Prediction of how the interview will be interpreted is often difficult, therefore Hennink et al. (2020) suggest a pilot-testing of the interview questions. Consequently, once the questions and interview guide were prepared, a pilot interview was conducted to assess potential issues, where several improvements were discovered.

When using semi-structured interview, follow-up questions are important, hence some of the sequel questions in the pilot interview ought to be more specific. Further, the interviewee responded to questions that were meant to be answered at a later stage, resulting in changes of the topic layout. During the pilot interview we got an indication that the license partners needed some persuasion regarding the use of the alliance model. Therefore, an additional interview grouping, covering Aker BP`s license partners, were included in the thesis. Additionally, we got an estimate that the allotted time was adequate.

Regarding techniques in the interview process, we experienced that it would be desirable with more structure in the follow-up of respective topics. In addition, allowing the interviewee pauses to reflect and complete their answer is important, especially when the interviews are

conducted online. The changes done after conducting the pilot interview can be found in Appendix B.

4.3.6 Analyzing

To analyze (5) the transcribed (4) data collected from the interviews, a content analysis technique was used. A content analysis interprets the meaning associated with different types of contents. Parts of the results are categorized, which signify that the meaning of long interview statements are reduced to a few and simple categories (Kvale and Brinkmann, 2009). Categorization was done in response to questions where it was appropriate, respectively advantages, disadvantages, success criteria and pitfalls.

To summarize key findings from the interviews, a SWOT-analysis is conducted. A SWOT-analysis is an effective tool to gain a quick overview of the organization's strengths and weaknesses. The main objective is to identify important internal and external factors that are crucial to achieve the alliance's goal (Vikøren, 2020).

The analyzed and interpreted data are collected and systematized in tables found in Appendix C-F.

4.3.7 Interview Limitations

The quality of the interviews conducted is crucial for the quality of further analysis and verification. Some factors affecting the interview quality are the interviewer's experiences and qualifications (Kvale and Brinkmann, 2009), especially when using a semi-structured method where follow-up questions on the topic are asked. As the interviews were conducted online, interpretation of the participants body language and attitudes can be challenging for the interviewers. There may also occur issues regarding quality of the audio recordings, which can lead to miscommunication and lost sound in the archive.

The transcription (4) of the interview is an important interpretation process where a conversation between two people is fixed into a written text. The differences between spoken language and written text can lead to practical and principal problems due to lack of body language, tone of voice and temporal unfolding (Kvale and Brinkmann, 2009). These factors must be considered during the analysis of each interview. The transcription of each interview

was completed in order to analyze (5) the content that should answer the thesis's research questions. When analyzing the results, factors such as translation of data from Norwegian to English and interpretation must be considered. Words, sentences, and statements are interpreted and analyzed by the interviewers to discuss and conclude the research findings.

The reliability (6) associated with the transcribed interview concerns how credible the data is. Important factors that affect reliability include interpreting when the participant(s) are having a pause, when a sentence ends, where to place periods and commas, and the emotional aspect (Kvale and Brinkmann, 2009).

The validity (6) concerns the accuracy of the results validity in relation to the research questions (Tjora, 2017), meaning the correspondence between the findings and the questions to answer. In this thesis, open-ended interview questions were asked which may have led to sharing of irrelevant information from the interviewees. This can lead to impaired validity. Another element to consider in regard to the validity of the interviews is that the interviewees point of view may be biased by the alliance, hence, the answers are not of their own opinion. By interviewing multiple people, within the four different groups mentioned in Chapter 4.3.3, the gathered information gives a more unbiased point of view and accordingly greater validity.

4.3.8 Ethical Considerations

In qualitative research, it is important with ethical consideration to make sure that the subsequence closeness in the relationship between the interviewer and participant follows the ethical principle 'doing no harm', by, among other things, storing the information in a secure way and keeping the participant anonymous (Hennink et al., 2020; Tjora, 2017). Trust, confidentiality, respect and reciprocity are essential aspects to achieve a good ethical standard on the research (Tjora, 2017).

The National Committee for Research Ethics in the Social Sciences and the Humanities (NESH) have developed an ethical requirement saying that a research project only should be started with the participant's consent, and in addition, the participants are allowed to withdraw their contribution without consequences (Tjora, 2017). In this research question, all participants were informed with all details regarding anonymity and had to confirm their consent that audio

recordings were acceptable. The participants were also offered to receive the transcription of the interview for approval before publication of the thesis.

As the storage and management of data is a central ethical consideration, the audio recording during the interviews was saved in a cryptical folder only accessed by the project owners. The audio recordings were only used for transcription and thereafter deleted. Prior to the interviews, a project application was sent and accepted by the Norwegian Centre of Research Data (NSD) to make sure that the correct ethical guidelines were followed.

5 Results & Discussion

In this chapter, all the results gathered from the interviews and following discussions are presented and examined in detail. The aim of this chapter is to provide a better understanding that will help answer the thesis' problem statement and its associated research questions. Furthermore, a comparison between the gathered results and theory has been carried out. The interview questions with accompanying answers are shown in Appendix C-F. The answers are shortened and only contain main findings that are considered relevant.

When linking theory to the results, it is important to keep in mind that the literature presented in Chapter 2 does not consider the special aspect of the subsea and modification alliance where Aker BP and Aker Solutions have the same owner, i.e. the Aker Group. Therefore, the literature is not directly applicable to this specific case, but is still considered relevant.

Chapter 2 mention the importance of choosing an appropriate contract strategy, as it affects both the project implementation and the end-result. The alliance model and the conventional competitive model have a mutual objective of carrying out the projects in the most appropriate way, however the strategy of achieving the predefined goal is different. The conventional competitive model is based on legally detailed contracts and has a formal renegotiation. Moreover, the alliance model is based on relationships and trust, where the involved parties must have a long-term perspective when entering into the cooperation agreement. Moreover, the establishment of goal congruence and distribution of risk are important in the alliance model, while the conventional competitive model contrarily positions incentives and risk distribution in the chosen contractual format.

Alliances are defined in numerous ways and are often tailored to each individual organization in accordance to purpose and desired degree of exclusivity. Some of the interviewed participants that are not involved in the alliance (group 3 and group 4) were unsure what the alliance implies and questioned the difference between an alliance and a traditional close cooperation. Additionally, there were some ambiguities concerning the exclusivity and the structure of the model.

Figure 16 compares Aker BP`s alliance model with the conventional competitive model and illustrates some of the main differences in the two strategies. The figure is based upon theory elaborated in Chapter 2 and Chapter 3.

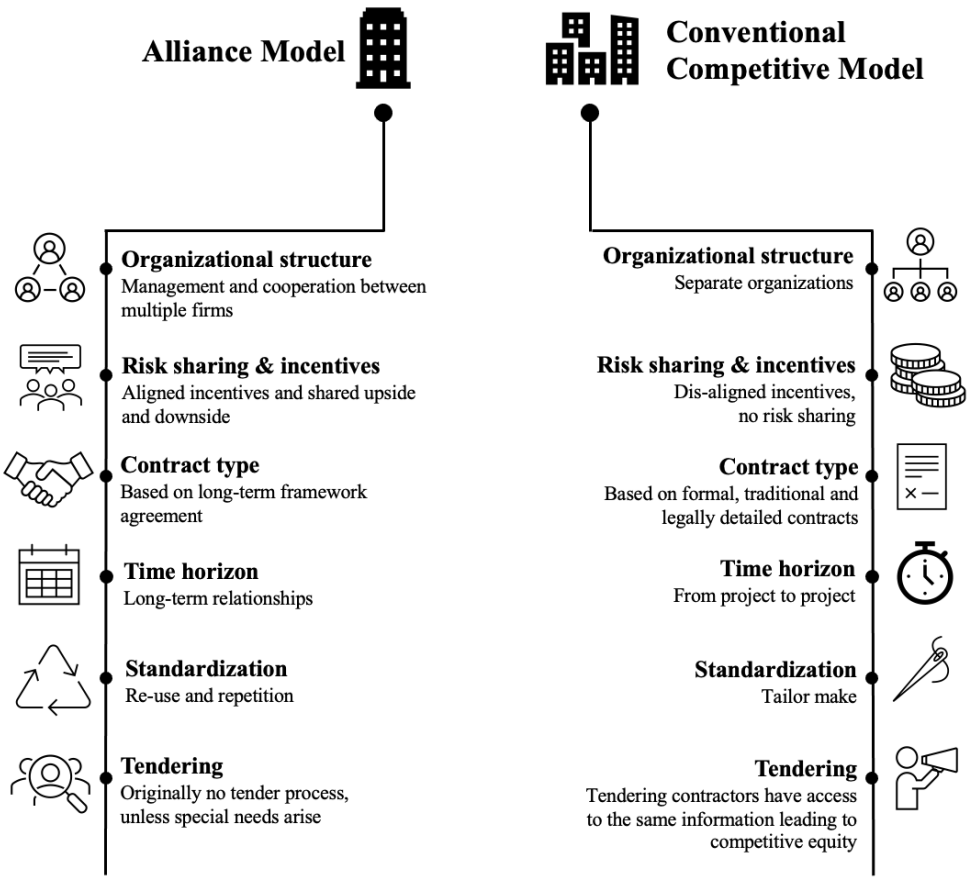

Figure 16 Comparison of Aker BP's alliance model and the conventional competitive model

Figure 16 shows the difference in organizational structure, risk sharing and incentives, type of contract, time horizon, degree of standardization and the tendering process.

The alliance model places other demands regarding organizational structure in consequence of the need of cooperation between multiple firms. Although the alliance consists of collaboration between several companies, hence integrated teams and the one team philosophy, each employee must relate to the company he or she is employed in. The organizational structure related to the conventional competitive model is comparatively somewhat simpler, where all parties involved in the project relates to their own separate firms.

Aker BP`s contract strategy is premised on mainly using the alliances in their projects whenever it is appropriate, giving them the opportunity to re-use resources such as personnel and documentation. The conventional competitive model employs a more tailor-made strategy adapted to the project in question. The selection criteria mentioned by Osmundsen (2006) in section 2.1.1.1 can advantageously be used to tailor the selection of contracts for the projects.

One of the main differences between the two strategies is the tendering process. The alliance focuses on long-term collaborations where it is not desirable to go to tender, hence no handover or familiarization between the various phases. The conventional competitive model uses the tendering process to assign the predefined scope of work to a competitive contractor. The tendering and familiarizing for the next phase usually take months, resulting in a longer execution schedule. Figure 17 shows the comparison of the project execution phases between the alliance model and the conventional competitive model.

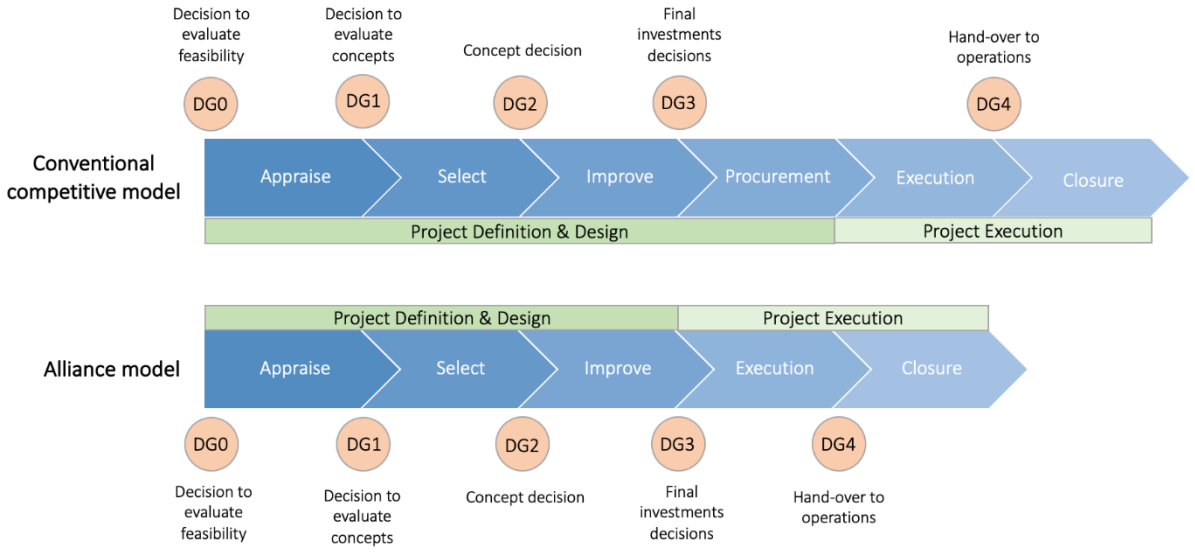

Figure 17 Project phases in the alliance model and the conventional competitive model

Conventionally the procurement process is a part of the project phases where the client is responsible for the first two phases. Technical requirements, cost estimate, and preparation of detailed design are developed prior to the procurement process, which can imply having different suppliers involved during the project. The alliance model operates somewhat differently, where the pre-selection of partners allows the client to skip the procurement process, which means opting out of competition. Figure 18 illustrates how this affects the two strategies' effort in relation to time.

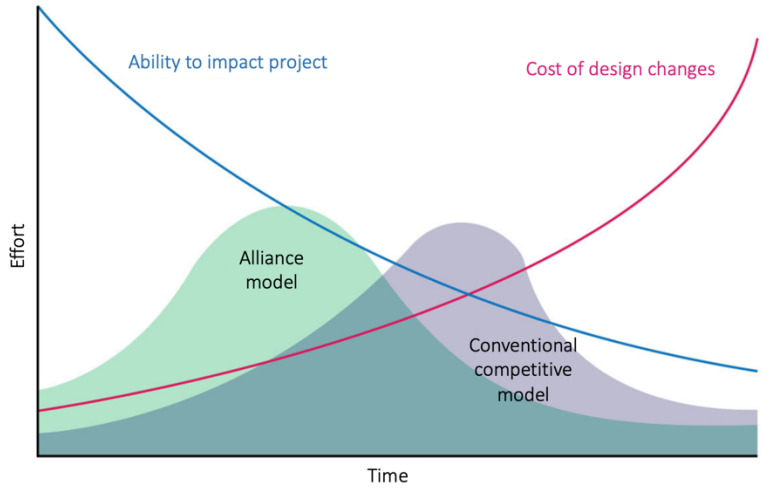

Figure 18 Project execution in relation to time and effort

In addition to the effort, Figure 18 shows the ability to impact the project and the design cost in relation to time. Using the alliance strategy provides early involvement of suppliers in the project, giving opportunities to impact the project in an early stage where the cost of design changes is comparatively low. In a conventional competitive model, the highest effort will take place in a later stage due to later supplier involvement. Consequently, a lower ability to impact the project with an associated higher cost related to changes in design. When knowing the importance of the work done in early phases in regard to project implementation, it is reasonable to think that the early involvement of partners within the alliance can be beneficial for the project success.

During the interviews, different points of view emerged in relation to the topics shown in Figure 17 and Figure 18. Several of the participants from within the alliance (group 1 and group 2) expressed that the alliance model led to reduction in completion time, thus cost, while participants from group 3 and group 4 questioned whether an early involvement and the use of the alliance model has that effect. Is one of the benefits of using the alliance model reduced completion time and cost?

As introduced in the background section (Chapter 1.1), the conventional competitive way of running projects has also led to problems regarding delivering on time, within budget, and specified quality. The industry has encountered recessions that have required adjustments and modifications in processes and execution, including the organizations contract strategy. A majority of the participants interviewed express that they consider the alliance model or close

collaborations as a future-orientated model that now is more frequently used in the market. However, there are differing opinions on the way the model is used by Aker BP today, where several of the advantages and disadvantages brought up during the interviews are discussed further in the next section.

5.1 Advantages and Challenges with Aker BP Alliance Model

Participants from Group 1 to 4 have been asked questions about benefits and challenges regarding Aker BP's alliance model. Group 1 and Group 2 were additionally asked about the model's success criteria and pitfalls. In the following chapters, results collected from the interviews and previously presented theory will be used to discuss these topics.

In this chapter, quotes are used. Some of these are directly or freely translated from Norwegian to English. The quotes are referred to using group number and numeration of participants, such as GX-Y. X is replaced with the group number, and Y is replaced with a number to divide the interviewees within that specific group.

5.1.1 Benefits with Aker BP`s Alliance Model

Figure 19 presents the answers regarding benefits given by each group using the categorizing method. The numbers indicate the frequency of each response.

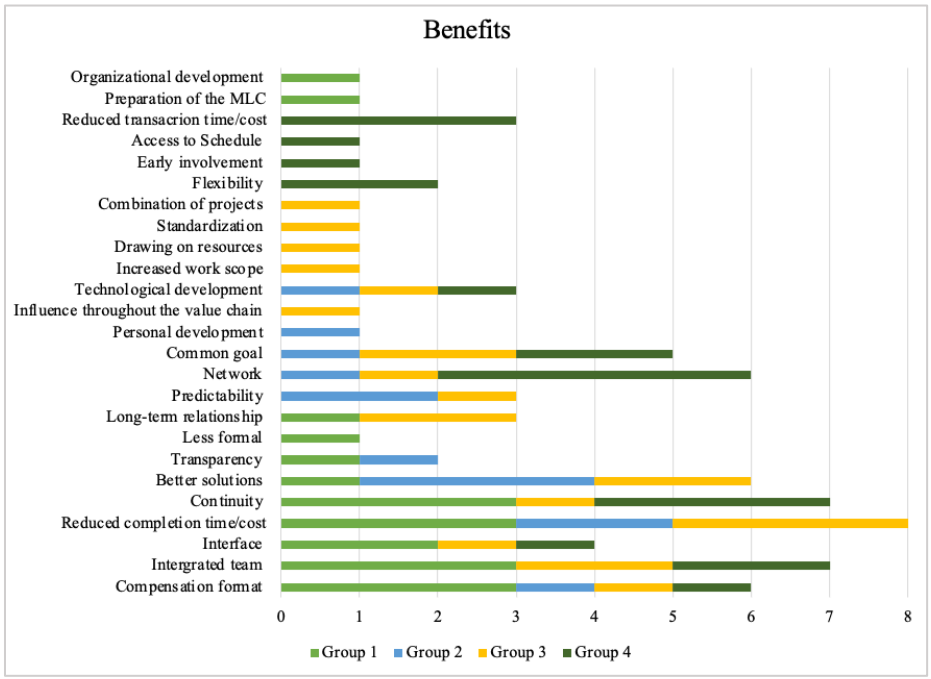

Figure 19 Categorizing of benefits

Numerous of the answers given are quite coordinated (Figure 19). A reason for this may be that the benefits of the alliance are enlightened and well communicated out to the market from Aker BP itself. The answers with a frequency of only one will not be presented and discussed. Transparency is more often mentioned as a success criterion rather than an advantage and will thus be discussed later in section 5.1.3 under success criteria and pitfalls.

5.1.1.1 Project Execution

The most frequent answer concerning benefits gathered from the interviews were reduced completion time and/or cost (Figure 19). In total, eight participants from group 1, 2, and 3 refers to this as a great benefit, where one of the participants representing group 2 gave the following answer:

> *"I think the biggest advantage is that you can bring down the price, the total implementation price and the implementation time of the project. I think an oil company will simply get more projects with this model than it would with a commercial one." (G2-1, Freely translated)*

The participants have relatively coordinated answers concerning reduced implementation time or cost. They discuss the advantage of working more efficiently in such close cooperation and the timesaving related to having the contractual framework agreement in place. If you save time, you also save money. This is consistent with the theory which states that increased efficiency and productivity reduces time and cost for projects (Lahdenperä, 2009). One can consider reduced completion time and cost as a valid benefit by utilization of the alliance model, as both the theory and group 1-3 have the same viewpoint.

In consideration of the same topic, license partners mentioned reduced transaction time and cost as a benefit of the alliance model. In three out of four interviews, the participants talked about reduced transaction costs and time as a result of the contracts being established in advance and the early initiation of projects. This is related to the answers given by group 1-3 concerning the reduced completion time and cost. In addition to the theory mentioned in the previous paragraph, Lahdenperä (2009) states that early involvement can lead to earlier implementation of projects.

Along with reduced completion time and cost, seven participants mentioned better solutions as a clear advantage when using the alliance model. In particular the alliance partners representing group 2 think this strategy leads to better solutions than if the project was specified through a design house.

> *"By using this model, you come up with solutions that you would not do with the commercial way of running projects. When working in an alliance, we optimize in relation to what the world looks like at an early stage." (G2-4, Freely translated)*

Arguments such as helping each other with improvements, gaining the right field expertise, and having the opportunity to develop better solutions due to trust and openness are also discussed. This reflects what (Tjemkes et al., 2012) says about an alliance leading to greater access of resources.

When it comes to handling of interfaces in projects, four participants mentioned that the use of the alliance model makes this simpler. Two participants representing group 1 and 4 stated the following:

> *"The alliance handles a larger scope, which leads to a reduction in interfaces when you sit together and solve problems." (G1-1, Freely translated)*

> *"You spend less time and resources on clarifications around interfaces. Suppliers can clarify among themselves." (G4-1, Freely translated)*

In the alliance, the alliance partners can clarify certain interfaces with each other directly without having to go through a client as an intermediary. There is often a lot of risk associated with interfaces, therefore an easier and better handling of this can be seen as a great advantage in the planning and execution of projects.

The last benefit mentioned within the topic of project execution is continuity. Shown in the categorization in Figure 19, continuity is mentioned as an advantage in six interviews. Participants mentioning continuity of personnel as an advantage argue that it leads to less misunderstandings, clearer expectations, and quicker goal achievement. A participant from group 1, states the following when talking about continuity:

"We got the same people that come of the similar job just before, so we'll do a copy of job x, but with the same people, same technology and same solutions. You never learn the lesson unless you are using the same people that got a lesson in ahead." (G1-2)

The theory presented in this thesis does not mention continuity as an advantage when using the alliance model. However, it is reasonable to assume that this is a benefit of Aker BP`s alliance model in the view of the fact that three out of four groups mention this as an advantage.

5.1.1.2 Relations

A selection of the benefits mentioned in the interviews are based on relationships such as integrated team, network, and long-term relationships. The second most responded benefit, in relation to the use of the alliance model, is integrated teams. In total, seven of the participants from group 1, group 3 and group 4 see close collaborations in bigger teams, the one team effect, as a huge advantage in regard to communication and problem solving. Additionally, the partners in the alliance are co-located, which among other things can make the communication easier and help increase the efficiency of the work.

Integrated teams can also provide a larger network, for both operators and suppliers. Six participants acknowledge the network as a great benefit. A larger network will provide access to resources and one of the suppliers in the alliance states that:

"An advantage is to have a large network on the supplier side that you always have access to, as well as having a sparring partner at all times." (G2-1, Translated)

Moreover, it is interesting to point out that all participants representing the license partners consider that building relationships between the companies and getting to know the suppliers, i.e. having a great network, is a clear advantage. This may be correlated to the theory which states that shared knowledge and experience promotes learning as well as professional development (Lahdenperä, 2009; Tjemkes et al., 2012), which may be a synergy to increased quality, and reduced execution time and cost of projects.

Long-term relationships are also mentioned as an advantage by a total of three participants from group 1 and group 3. The participant in group 1 gives the following answer on why long-term relationships can be beneficial:

> *"Not having to go out to tender and build new relationships on every single project is quite time-saving and builds trust and security." (G1-5, Freely translated)*

> *"You lose less time going into details because people already know everything." (G3-2)*

Despite the fact that long-term relationships are beneficial, it can be challenging in regard to matters such as restrictions on partners and competitive concerns. It is also discussed that there is uncertainty on whether the reward of long-term relationship is linked to the alliance model or the framework agreement, which again is difficult to prove. In addition, some success criteria must be in place in order to make a long-term relationship work. Such success criteria are discussed subsequently in this chapter (Section 5.1.3).

5.1.1.3 Compensation Format and Common Goals

Lahdenperä (2009) and Tjemkes et al. (2012), both argue that shared risk and reward, hence incentives are an advantage of the alliance model. A total of six participants from the interviews have mentioned compensation format as a benefit. Shared benefits, rewarding of good work, and shared ups and downs were some of the statements made by the interviewees when questioned about the alliance models benefits. The answers given were relatively short and precise without any particular discussion. Additionally, the participants gave most attention to the upside of the incentive, and the fact that one is rewarded for good work, whereas in contrast the downside was barely mentioned.

As shown in Figure 19, three out of five participants from group 1 have answered that compensation format is an advantage. Whether this is mentioned because it is a part of the alliance model's foundation or indeed is seen as a benefit is unclear. Only one participant from each of the other three groups has mentioned this as an advantage. We consider the compensation format as a success criterion instead of an advantage, as this is a fundamental part for the functioning of the model.

In some of the answers given, common goal and compensation format goes hand in hand. Several participants discuss that it is a benefit to have common goals, the same ambitions, and shared risk and rewards. In order for a company to achieve rewards, a common goal is essential. This advantage is mostly mentioned by group 3 and group 4.

Creation of a good compensation format that generates common goals in a project may to some extent be problematic. Although it is possible to create aligned incentives regarding deliveries on time and cost, there will be several dimensions in a project that are not coordinated. The client wants to get the latest technology and production equipment with high flexibility that enables the highest possible production. In this case, the incentives are not agreed upon, as only the client benefits from increasing the production.

5.1.1.4 Predictability

Predictability is mainly mentioned by group 2 where they talked about the alliance providing greater predictability with reference to forthcoming work. One of the alliance partners mentioned the following:

> *"Predictability when it comes to work. Although the agreement is not exclusive, we know that we are the preferred supplier for our scope." (G2-3)*

One of the participants from group 3 draws on own experiences from another alliance and discusses that they can make better use of factories and vessels, hence predictability in both planning of cost and schedule. The theory mention that the alliance agreement can act as an insurance for the suppliers, especially in downturns. This will be further discussed in Chapter 5.3.

5.1.2 Challenges with Aker BP`s Alliance Model

Figure 20 presents the answers regarding challenges given by each group using the categorizing method. The numbers indicate the frequency of each response.

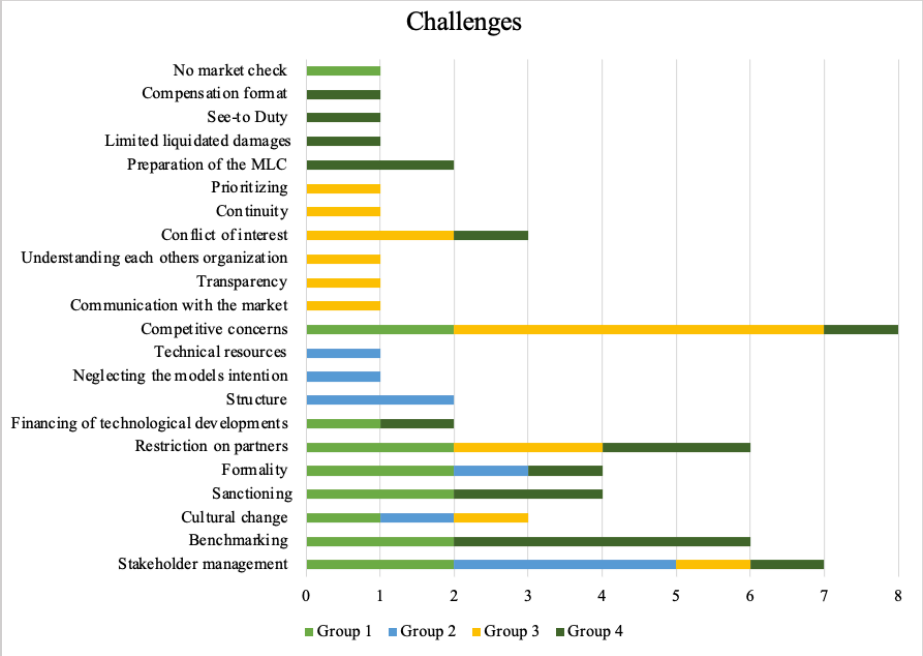

Figure 20 Categorizing of challenges

Overall, we see that each of the groupings are mentioning challenges related to their role or position in relation to the alliance model. Group 1 and 2 mainly remarks on challenges linked to the day-to-day management of the alliance, while group 3 are more concerned about the model's impact on the market. It seems like group 4 considers some of the same challenges as all other groups. Further, the more frequently answered statements will be discussed.

5.1.2.1 Competitive Concern

One of the challenges that attracts attention in Figure 20 is the competitive concerns that are mentioned by eight participants mainly represented by group 3 and 4. In other words, those that are not sitting within the alliance. Each participant represented in group 3 expressed their concern regarding the fairness of the competition and/or the barrier of entering the competition when Aker BP goes out on tender. Among other thing, the following was mentioned in the interviews:

"There is a barrier to enter into a tendering for Aker BP, because they will always know the long-term incumbent so much better" (G3-1).

"There are certain parts of work we know we don't got a chance of winning, because it is fully covered by the alliance" (G3-4).

Additionally, Aker BP is facing a unique challenge where they need to consider the ownership structure, and the fact that Aker Solutions has the same investment company owner. This is a concern expressed in the industry, where there in certain cases have been questioned whether their close collaboration, especially in the modification alliance consisting of Aker BP and Aker Solutions, has the best intention for the project or for the Aker group. Several participants mentioned this as a challenge, where some of the statements where:

"When Aker BP goes out on a tender with a scope where Aker Solutions will bid, I think the suppliers in the market automatically questions the competition and whether it is real." (G4-3, Freely translated).

"Røkke is seated on both sides of the table" (G4-1, Freely translated)

The theory presented in Chapter 2 does not address problems associated with competitive concern, accordingly this is somewhat unique for Aker BP due to both the ownership structure and the fact that they are using the same alliances for most of the work done on their projects. There are also expressed concerns regarding the tendering processes and whether these are implemented only to benchmark the alliance against the market. It can be discussed whether the organization's focus only have been internally within the alliance, and that the connection with the rest of the market has not been sufficient. The feeling of being downgraded and disregarded may be related to the uncertainty associated with the amount of energy one as a supplier is willing to put into requests coming from Aker BP.

5.1.2.2 Restriction on Partners

Another challenge mentioned by six participants was the restriction on partners (Figure 20). This downside concerns issues related to the limited selection of suppliers from the market and questions on what Aker BP are missing out on. Tjemkes et al. (2012) also mentions some difficulties in reference to restrictions on partners, namely the challenge regarding collaboration with other potential firms in the market, reduced competition, and lack of proprietary information and new technology. Each of these arguments were mentioned by participants in the interview and are further discussed.

One of the concerns are related to lack of competition in the market, where one of the participants stated this:

"Such as Equinor could never have done the same as Aker BP, because they are so dominant that they almost would have destroyed the supplier market" (G1-1, Freely translated)

There is reason to discuss what an alliance model does to the market, how it affects the competition, and the opportunity for suppliers to find work. There are some questions related to the functioning of the market regarding a potential increase in the number of contracts awarded to alliances, where some of the suppliers are left out to starve. Will it be possible for the smaller suppliers to find work in times with less activity in the market? If they find themselves in a situation where the competitive element completely disappears, there may be reason to believe that this potentially will destroy the market. It may also be worth mentioning that contractors that are guaranteed work in a market with less competition, may potentially experience less stress, which can affect the effort of the work performed. Less stress and supervision from the client may in some cases cause absence of drive from the suppliers in comparison to the conventional competitive model where the client to a greater extent follow-up the suppliers throughout the project.

Lack of collaboration with suppliers in the market, hence access to technology, was a topic that engaged participants from group 3 and 4, where among other things the following was mentioned:

"Let's be honest here, what supplier has the answer to everything? They are looking themselves out of access to technologies. I think it is a big mistake." (G3-1)

"If a supplier suddenly makes a breakthrough or has an innovation that brings new value, Aker BP has opted them away" (G4-3, Freely translated)

Some of the participants representing group 3 remarks problems linked to the communication with Aker BP, hence the knowledge about the supplier's products. When focusing on building relationships with some preferred suppliers, this may quickly detriment your connection with the competitors in the market and potentially lead to missing out on technological development.

Although it is known that long-term relationships are one of the benefits of using the alliance model, it may be appropriate to question how long one can work with the same supplier before it becomes almost impossible to go out in the market again. Namely, there is a chance that you as a client get locked into the alliance partners computer systems, standards, etc. which makes it difficult to change suppliers. This lock-in may potentially lead to a change where the power of negotiation slates in favor of the supplier. Both the lack of communication with suppliers and the developed way of working with current alliance partners may cause difficulties when it becomes applicable to carry out a competitive tendering process. There may be a risk associated with this as you lose insight into what your potential forthcoming partners are offering. Therefore, even in an alliance with a long-term agreement, it is important to keep in touch with the market and their way of working.

5.1.2.3 Conflict of Interest

It is important to always keep in mind that at the end of the day the supplier and operator have different objectives, which are mentioned as a challenge by three participants from group 3 and 4. The client's main goal is to produce the oil in the most cost-effective way with sufficient quality, in contrast the supplier wants to get the best possible margin on the delivered services or goods. These different motives need to be allied in the alliance and are often something that requires support from the management of all the companies involved. Put differently, the leaders in the organizations need to agree on disregarding the usual budget principal. Managing this is something that can be challenging and requires a lot of work. Someone would probably even say impossible.

Another challenge linked to technological progress is the financing of the supplier's development in the alliance model. In a close collaboration where strong relationships are formed, the operator may be willing to pay the supplier a bit extra to develop new technology. Moreover, there is a risk that the operator finances a development that the supplier should have paid for himself. This issue is also mentioned in the theory where the uncertainty linked to who is paying for the technological development is remarked.

5.1.2.4 Stakeholder Management

In large complex projects, stakeholder management can be quite challenging and time consuming, particularly in alliances where interaction between several organizations is needed.

Stakeholder management was a concern mentioned by a total of seven participant, where as many as three out of four representatives from group 2 addressed this topic and remarked the following:

"We have to deal with all the stakeholders as we progress forward. That is perhaps the most challenging thing for me. Having to deal with three different base organizations" (G2-2, Freely translated)

"It has happened that I have to work a little internally within the organization to make them understand how we work with Aker BP in the alliance in relation to transparency and sharing of information" (G2-3, Freely translated)

"A lot of time and energy are used on convincing both Aker BP and the license partners. I don`t even feel that we have come so far, because we use the same amount of energy every time" (G2-4, Freely translated)

In addition to these statements, two participants from Aker BP mentioned stakeholder management as challenging. Lahdenperä (2009) and Tjemkes et al. (2012) substantiate this in the theory where they explain that the management and cooperation between multiple firms can be rather complex.

Stakeholder engagement is essential for the alliance to work. However, continually working on convincing people internally in the base organizations takes up much of the alliances' time, which is not desirable. How can this be seen as a challenge when mandate is mentioned as a success criterion and is seen as an important factor for the alliance to work? Does this mean that the organizations do not trust what is going on within the alliance or is the communication from the alliance to the stakeholders insufficient? The way of working and the mindset obtained when operating within an alliance may not be easy to understand for people not directly involved. Trust and mandate do not only apply for those within the alliance, it can also be important to acquire from the stakeholders.

5.1.2.5 Sanctioning

In addition to convincing the base organizations, the license partners require persuasion regarding the use of the alliance model. Sanctioning of the MLC is one of the challenges discussed by group 1 and 4, where one of the participants stated that:

"It is challenging when it comes to the sanctioning and preparation of a as good MLC as possible. It is always a challenge to justify this to the license partners" (G1-1, Freely translated)

This problem concerns the operator, and the questioning from the license partners on whether the prices are continuously competitive. Newly established alliances are not too extensive, as they recently were exposed to competition. Sanctioning gets more challenging with time, which leads to an increased requirement of documentation on the competitiveness of the alliance for the license partners to approve. Some participants representing group 4 mentioned that they needed to pay somewhat more attention when monitoring projects that use the alliances model, and that it sometimes demands a bit more effort and time. This may be due to the differences in the way of working and that the only way to measure oneself against the market is by going out on competition. To document that the use of the alliance model is a more appropriate strategy than the use of the conventional competitive model seems to be difficult, for this reason the focus must be on proving the ability to deliver projects in accordance with the plan.

5.1.2.6 Benchmarking

The challenge related to the conviction of license partners takes us to another result drawn from Figure 20, namely benchmarking. All the representatives from group 4 and two participants from group 1 remarks this as a challenge. The following was pointed out:

"Benchmarking is richly impossible to do in the subsea because it is very difficult to compare apples with apples. How do we prove what is good value when we are done going out on tender?" (G1-2)

"I do not think it is a problem to benchmark, at least not as long as it is things that they order often." (G4-1, Freely translated)

"Benchmarking is done at a high level, and they fail to break it down per contract" (G4-2, Freely translated)

There are different opinions when discussing benchmarking, where some see it as unproblematic, while others think that it does not work at all. The reason for this could be that participants have different knowledge regarding deliveries and services in projects or procurements.

In several interviews the complication of optimizing the benchmarking is mentioned, and extensionally they confirm that it is difficult to prove that it is done sufficiently. Another problem arising in connection with this topic is when there is something unique for a project that has never been done before, such as the use of new technology, which is not possible to benchmark against the market.

Having said that, the suppliers in the alliance also operate in the competitive market and may to some extent have insight to developments in the industry. At the same time, it is important to remember that the alliance operates with full transparency, which means that they should always know what each other pays. If you find yourself out of sync in relation to the market price, both positive or negative, it may be appropriate to adjust the rates or prices. It should not be desirable having large gaps between the profit within the alliance and the possible profit in the market when it is known that this is the organizations' primary driver.

5.1.2.7 Formality and Structure

Formality and structure are mainly mentioned by group 1 and 2 as a challenge when utilizing the alliance model. The result in Figure 20 shows that formality is mentioned four times and structure two times. Two of the interviewees stated the following:

"The alliance model can be a bit loose, for example when it comes to correspondence. We need to be more formal" (G2-1, Freely translated)

"We need to remember the formalities within the one-team system" (G1-4, Freely translated)

When working so closely within an alliance the relationship may become a little conversational and informal, which can lead to the operator struggling to maintain control of the project. This is also one of the disadvantages mentioned by Lahdenperä (2009), where it is said that one quickly can lose control over decisions due to the joint planning and decision making. Even though relations are an important part of the alliance model, it is crucial that these at all times are based upon a contract and mutually agreed terms and conditions.

In the context of formality, correspondence is mentioned as a challenge where the communication and documentation become a bit loose between the partners in the alliance. When correspondence is given over the phone, in the hallway, or in an email instead of being inscribed in the right document, it will be impossible to keep control of all the details in the project over the course of time.

This brings us to the structure of the model, where it is important to have guidelines on how projects should be conducted, allowing continuity in procedures from project to project. Additionally, it is mentioned that the areas of responsibility can be unclear. The mindset is shaped upon the fact that everyone helps with everything, which may lead to ambiguities regarding the different role's responsibilities. Being able to put together a framework and tools, which intends to unite the working methods across alliances, could possibly make projects more efficient. Taking a step back in the alliance to create somewhat more formality and structure may be favorable for the future of the model.

The problem related to lack of structure and formality increases with the size of the project. It is often manageable to keep things in order on projects that are small or medium sized, but eventually it may become too complex to control. Additionally, previous experiences have shown that alliances work well in good weather, i.e. when the projects are successful, but that they tend to fail when things go wrong. How will an unstructured alliance be affected if they encounter a big challenge that adversely impacts all parties involved? How did the problem arise and how do we handle it? These are questions that can be exceptionally difficult to answer if there is lack of structure and formality within the organization. Moreover, lack of legal formalism can create heavy legal proceedings when projects do not go as planned. Well established services, technological tools and relations that are based upon contracts are therefore important.

5.1.2.8 Cultural Change

The way of working is significantly different in the alliance model in comparison to the conventional model, which has led to three participants mentioning cultural change as one of the challenges to be aware of. One participant representing group 2, mentions that:

"Our company and our processes are developed and based on a more traditional client-contractor model" (G2-3, Freely translated)

There are some drastic changes in the way of working for suppliers that are used to the conventional model, where the operator traditionally controls the work done by the supplier. In the alliance each organization involved is to a considerable degree working equally together, consequently the suppliers need to find its new role and adapt to the working methodology. It takes time to find one's place in the alliance and build the trust, transparency and mindset required for the right cultural mindset.

Moreover, it can be quite challenging training people into the right alliance mindset where you share everything with each other internally. This is also something that is mentioned in the theory where lack of willingness to learn is a challenge in regard to integration and exploitation of new knowledge (Tjemkes et al., 2012). Participants from the interviews have expressed that they sometimes get a feeling that employees from the operator`s side are using the alliance as a springboard to climb internally in the firm, and therefore do not have the motivation to get into the right mindset. This is something that becomes very destructive to the model. Clearly, this way of working is not suited for everyone, but having motivated people with the right mindset and knowledge is crucial for this type of model to work.

It may also be worth mentioning that the conditions for a potential establishment of an alliance may be well suited here in Norway, since it in many ways is a very trusting society. Questions have been raised concerning if the alliance would have been as successful if not all involved parties were Norwegian, as one has an equal cultural background in terms of trust, openness, and communication. Culture is something that cannot be changed in a short period of time, and given the importance of leadership engagement from all involved parties, difficulties with collaboration may arise if some of the partners do not manage this cultural change.

5.1.3 Success Criteria and Pitfalls

Only group 1 and group 2 were asked questions about the alliance models' success criteria and pitfalls as group 3 and group 4 may not have enough knowledge and insight to be able to answer these questions properly. Nevertheless, a few participants from group 3 and group 4 mentioned some success criteria and pitfalls in connection with other questions. Figure 21 and Figure 22 presents the given answers regarding success criteria and pitfalls by each group using the categorizing method. The numbers indicate the frequency of each response. We have chosen not to comment on success criteria and pitfalls where the frequency of the answer is only one.

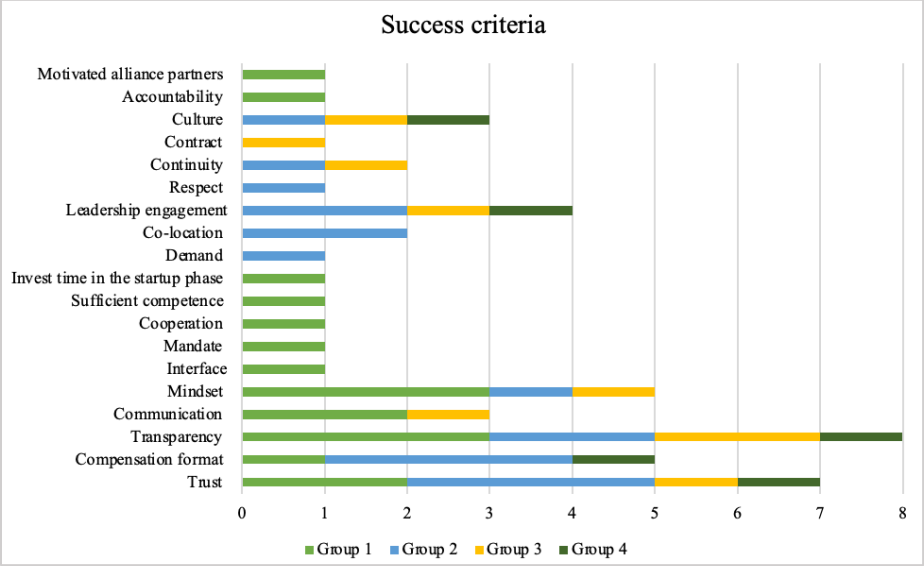

Figure 21 Categorizing of success criteria

Numerous of the success criteria mentioned in the interviews (Figure 21) are based on the alliance's culture such as common values and attitudes. Furthermore, the most frequent answers are coordinated by group 1 and 2, accordingly in some cases by group 3 and 4.

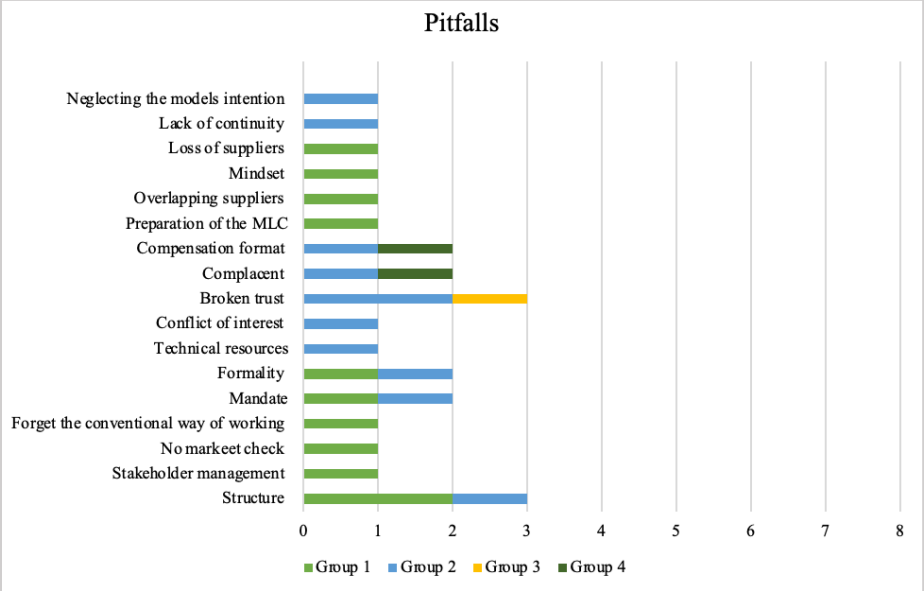

Figure 22 Categorizing of pitfalls

Figure 22 shows that group 1 and group 2, i.e. the operator and supplier side in the alliance, answers the question about pitfalls of the alliance differently. The reason for this may be that there has been minor attention directed to what can potentially be destructive to the model, or simply because they do not see any clear pitfalls.

5.1.3.1 Compensation Format

The compensation format has proven to be a relevant topic in numerous interviews, where it has been mentioned as both a benefit, challenge, success criterion, and pitfall. When the participants were asked about the alliance's success criteria, three out of four participants from group 2 expressed compensation format as a crucial factor for alliance success:

> *"Aker BP ensures that we have a compensation model that gives us an advantage." (G2-3, Freely translated)*

> *"The contractual model, it must be well thought out, so it is a win-win situation, and maybe a win-loss or pain-gain as we call it. It must be there. Everyone has to profit from it." (G2-1, Freely translated)*

It seems as though most of the participants focus on the upside or the gain of being in an alliance and forget that there may also be risks and costs associated with the compensation format. As

described under compensation philosophy in Chapter 3, the alliance partners will share both ups and downs, which means that they also must be prepared for any losses that may occur in the projects.

The compensation format is also mentioned as a pitfall, where two of the participants express their concern regarding a potential loss of economic benefits for companies being in the alliance. The compensation format is perhaps one of the most difficult elements to get in place, but at the same time one of the most important factors for the model to work. Creating a compensation format that unites two such different goals and ensures that all parties are satisfied, can be challenging. The compensation format can cause conflicts if a disagreement arises regarding the agreements' incentives.

5.1.3.2 Trust, Culture, Mindset, and Co-location

Wittmann et al. (2009) argue that trust is a significant element for alliance success. As shown in Figure 21 and 22, trust is considered both a success criterion and a pitfall for the alliance model. Trust is described as absolutely crucial and seen as the most important success factor, and in contrast a pitfall if the trust is broken.

> *"The model will never work unless there is trust. The time and cost that it takes to build it, that is a challenge. I think the trust building comes with the changing of culture." (G3-2).*

As G3-2 states, the changing of culture is essential in order to build trust. Along with trust, culture and continuity are both mentioned as a success criterion:

> *"One must have continuity on the staffing side of the alliance to be able to build a culture. And the culture is absolutely crucial for you to succeed in the end." (G2-2)*

Discussion regarding continuity and cultural change was mentioned in previous chapters, Chapter 5.1.1.1 and 5.1.2.8, respectively.

According to Masoud et al. (2019) the lack of trust is one of the factors that may cause an alliance to fail. Several participants have expressed their concern regarding trust issues with people outside the alliance in Aker BP.

> *"It will be heavy if the trust is not in place because then you get an organization on the outside that will check the alliance in the same way as they would do in a normal contractual setting." (G2-4, Freely translated)*

Additionally, participants from group 2 mentioned that they experience some lack of trust when new people from Aker BP commence working in the alliance. This leads us into the next success criterion, which is the mindset. As discussed earlier, there is a big difference between the working method in an alliance model and a conventional competitive model. It is important to have faith in the model and the right mindset to achieve alliance success, which was mentioned by some of the participants:

> *"People come and go, and then you have to be sure that you always get them into the right mindset." (G1-3, Translated).*

> *"One has to have faith in the model." (G1-5, Translated)*

Mindset was mentioned as a success criterion by five participants, where some interviewees from Aker BP stated that it is easy to underestimate the mental part, hence the mindset. They talked about being aware of what kind of people they brought into the alliances. Some of the employees manage to change their mindset as soon as they enter the alliance while others need to be coached. In addition, some individuals have issues changing their mindset and are therefore better suited to work outside the alliance. To such an extent, they have to consider how fast the transition to the right mindset takes. Additionally, two of the participants have pointed out co-location as necessary to elicit the alliance-mindset. The effect of the co-location can make it easier to understand each other's culture and way of working, in addition to simplifying the process of creating a trusting, transparent and open mindset within the alliance.

5.1.3.3 Transparency

Transparency is the most frequent answer to success criteria. Although transparency is not mentioned as a success criterion in the theory, several participants believe it is fundamental, particularly for this alliance model. G2-2 responded the following as success criteria:

> *"Transparency, mutual sharing of information, and results. Sharing both ups and downs is the reason why you have managed to keep the wheels going for so long already." (G2-2, Freely translated)*

In a conventional competitive model, the companies avoid sharing of sensitive information, whilst the alliance partners in an alliance models operate with full transparency, sharing all the information:

> *"For the alliance model to work, we need full transparency from all companies within the alliance. We need transparency in for example value drivers, how they work commercially, how they calculate things, how they calculate profit, mark-ups, etc. It is required that we actually understand how things are done. It also means that the suppliers we work with have to accept and open up some of the books that they usually do not want to open up." (G1-3, Freely translated)*

Most of the participants agree that transparency is both beneficial and a success criterion. On the other hand, some participants see transparency as a challenge because confidential information may leak out. This brings us back to trust, which is mentioned as a fundamental success criterion.

5.1.3.4 Communication and Structure

Communication is one of the fundamental elements needed to achieve alliance success (Wittmann et al., 2009), but also one of the factors that can lead the alliance towards failure (Masoud et al., 2019). Three participants argue that communication is crucial to achieve alliance success, which corresponds with the theory above. It is discussed that communication sometimes can be quite extensive as many stakeholders interfere in the alliance. Additionally, communication between the alliance partners is important in order to avoid misunderstandings

and not omit sharing of information. Poor communication can lead to lack of structure, which is mentioned as a pitfall by two participants from group 1:

"For me, it is the commercial, to be sure that you have made clear guidelines about what should be done in the alliance and what should not be done in the alliance, where decisions should be made, and how one should set functions. It is very important that there is some structure." (G1-5, Translated)

"Pay attention to the roles – important that you have the right people in each role for bigger projects." (G1-2)

The challenges regarding lack of structure are previously discussed in Chapter 5.1.2.7.

5.1.3.5 Leadership Engagement

Leadership engagement is considered a success criterion by four of the participants. The two interviewees representing group 2 are coordinated in their answers where both stated that the alliance must be anchored high within the companies. They consider it important that the alliance strategy comes from Aker BP's management, down through all the teams and intermediaries, and into projects and disciplines. Similarly, the leaders of the alliance´ partners organizations need to believe in the model. Without leadership engagement and faith in the model, the people in the alliance will always experience adversity in their own organization, which in the long run will not work. If there is a lack of anchoring in the company, the conventional structure will win almost regardless of time.

5.1.3.6 Complacency

One of the pitfalls mentioned by two participants representing group 2 and group 4 is if the team or parties become too complacent:

"A pitfall is that you start to become complacent, that you run silos on the three companies, and that you run a regular contract model through an alliance model. Then you lose focus on the common goal" (G2-4, Translated)

If the parties become satisfied with oneself or one's achievements and forget to focus on the fellowship, this can drive the alliance towards failure.

5.1.3.7 Mandate

A mandate is considered as a possible pitfall by group 1 and group 2. The participants discuss overriding or concept administration performed by the top management as factors that potentially may destroy the alliance. Some of the employees in Aker BP may not always work in accordance with the alliance and come with a lot of personal opinions. The participants consider this detrimental to the model as it must be built from the bottom up. It is also mentioned that they feel monitored and do not necessarily get the mandate they actually should have, mainly due to a lack of trust or that they do not believe in full transparency within the alliance.

Additionally, it is mentioned that there is a slight lack of access to technical personnel from Aker BP into the alliance. Some use the alliance to climb the ladder internally within the company, which is very destructive for the model. Lack of the right technical personnel can result in project delays or failures leading to a damaged alliance, which is considered a key failure factor, according to Masoud et al. (2019).

This is something that must be worked on continuously, and based on the interviews, a mandate is a current problem that the participants see as a possible future pitfall for the alliance if not rectified.

5.2 Future Collaborations

One of the research questions concerns the possible future collaboration between Aker BP and suppliers that currently are outside the alliance. All groupings were questioned, with slightly different formulations. Participants representing group 1, 2 and 4 were asked about how they felt the introduction and use of the alliance model had affected potential future collaboration with suppliers that currently are outside of the alliance, while group 3 was asked if they felt that the introduction and use of the alliance model had possibly affected future collaboration with Aker BP.

Although several participants mentioned that there is great uncertainty associated with potential future collaborations and that it is a topic that Aker BP must address in the upcoming years, the interviewees do not see the tendering process as a major problem. For most of the suppliers, a collaboration in an alliance with Aker BP will be of interest as this gives them secured work for a given period. It is reasonable to assume that Aker BP has gained knowledge and experience regarding the establishment of alliances with clearer descriptions and expectations for the potential contractors. This can make the establishment of alliances easier during the second round. On the other hand, a number of challenges were brought up in connection with potential future replacements of alliance partners.

One of the concerns mentioned is the barrier of choosing someone apart from the ones already in the alliance. Among the participants, one mentioned that:

"It will not be hard going out on the market again. What is difficult is choosing somebody apart from the guy that they have been married to for 10 years" (G3-1)

In other words, some attendees imply that it will be very difficult competing with today's alliance partners. This can be associated with the accumulated knowledge prepared about the current company partners and the costs associated with a possible replacement. Aker BP are already familiar with the supplier's processes, equipment, personnel, and way of working. At the same time there are strong relations created internally in the alliance due to the close collaboration over such a long period of time. As mentioned earlier, having the right culture and mindset within the organization is important, and countless resources are used to achieve this in today's alliance. Understanding of each other's organization and how to work together, in addition to leadership commitment has also been edified. In the event of a new alliance composition, one must add the cost in relation to understanding each other's organization training and to getting into the right mindset. To some, this will mean implementing new ways of working by adapting to each other, creating trust, transparency, and new relations.

Aker BP`s special challenge related to the ownership structure, discussed earlier in Chapter 5.1.2.1, is also mentioned as a concern in regard to future collaboration or a possible replacement of alliance partners. When Aker BP is to tender a scope or attempt to establish a new alliance where Aker Solutions is to bid, the supplier market may be a little more in doubt as to whether there will be real competition. It seems like several people are left with the

impression that Aker Solutions will be chosen above all others, regardless of the competition, due to the ownership structure. This attitude may lead to fewer suppliers wanting to bid on a scope or a potential new alliance with Aker BP as this is both time consuming and expensive. The result of this may be loss of important and necessary suppliers in future projects.

In addition, several of the participants from group 3 and 4 mentions that Aker BP`s knowledge related to the suppliers in the market can be challenging, where the following have been stated:

"It can probably be a bit challenging to enter the market again. It depends a bit on whether they have lost contact with alternative suppliers in advance of going out on tender. Do they know what they have to offer? Do they have relationships in place? Are they up to date on technology?" (G4-2, Freely translated)

Several participants from group 3 and 4 talked about the challenges regarding lack of communication with the suppliers in the market and their developments. By working closely with only a few preferred partners, it is easy to downgrade the alternatives in the market. This is a problem that is also discussed in Chapter 5.1.1.2. Questions can be asked about whether Aker BP knows what the suppliers outside the alliance can offer and whether they are up to date on their latest technology. In addition, it is important to have relationships in place with the alternative suppliers in order to stay updated on each organizations' developments. Lack of engagement, commitment and communication with the various suppliers may lead to credibility problems, where some may question if it is just a paper exercise where Aker BP only wants to evaluate their alliance partners instead of seriously attempting to establish new alliances.

It is also important to point out that Aker BP works with other suppliers not involved in the alliances as of today, but this is preferably on deliveries not covered by the alliance's scope. Participants from group 1 and 2 mention that the agreement is not exclusive and that if some of the partners are not fit for the purpose, Aker BP is free to enter the market and find a contractor that can deliver the desired demand. What is important to keep in mind is that this can complicate the projects to some extent, as Aker BP must handle deliveries from external suppliers, where they at all times must make sure that sensitive information does not leak out to competitors within the alliance.

Together with the challenges mentioned above, participants representing group 3 stated that the attractiveness of entering a possible alliance with Aker BP depends on the type of projects in question. Among other things, it is mentioned that when choosing an alliance partner, it is not only for the duration of the contract, but for the entire life of the field. Related to this is the statement below:

"During the whole life of the field you have to go preferably to this supplier. So even if you are confident that you are making the right choice at one point in time, there really is no way to forecast how it is going to be 20 years from now" (G3-3)

In extension of this, group 3 mentions that a future possible establishment of an alliance with Aker BP is not attractive if the majority of work involves brownfield projects (existing projects) where current alliance partners have delivered most of the infrastructure. Firstly, they see the possibility of winning such a contract as unlikely and secondly it will require a lot of interaction and coordination with today's alliance partners. On the other hand, if there were inquiries concerning greenfield projects, thus a new project not building on anything existing, this would be more attractive.

Besides the challenges regarding a replacement of today's alliances, some participants representing group 3 were positive to having a closer collaboration with Aker BP if the opportunity should arise. Simultaneously, several participants expect an extension with today's alliance partners, and this may perhaps be with good reason? Group 1 is mentioning that they can replace current partners if this becomes relevant and that this is something that Aker BP eventually must decide upon. Conversely, what is answered regarding this topic indicates that little is prepared for any potential replacement. In addition, it is mentioned that there is ongoing planning of work for 2027 and 2028, which is after the expiration of current alliances. Is there a reason to believe that a swap of partners already seems to be too demanding regarding price and time? Or is Aker BP pleased with the current situation and does not want to replace the existing alliance partners? These questions are challenging to answer. However, based on the interviews we are left with the impression that Aker BP does not want to replace the current partners unless they must.

5.3 Expected Market Peak

One of the research questions concerns the expected market peak in approximately 2025 as a result of the tax package related to the corona pandemic. All four groups were asked the same question. As the alliances are relatively new, there is limited knowledge about how the alliances handles major market changes. Therefore, the responses from the participants are based on assumptions and their own opinions regarding the topic.

Although there is uncertainty about whether there will be a market peak around 2025 or not, all four groups had reflections on the topic. There was a great deal of division in the answers given in the interviews, but the participants within each group were fairly cohesive. The interviewees from group 1 and group 2 believed that the effect of the alliance should smoothen the fluctuations in both ups and downs. Based on this, group 1 has high expectations that the alliance partners will remain faithful in both good and bad times. There is no doubt that Aker BP is very optimistic about the expected upswing in the market, where several participants had clear anticipations that the alliance should have first priority:

"Until 2025, it will be very cramped, both because suppliers have staffed down capacity and because demand will increase, but we are first in line and can in a way say that we get the A-team." (G1-1, Translated)

It is repeatedly argued that transparency in the alliance means that Aker BP has access to the suppliers' portfolio, especially within vessels, and thus can go in and book the capacity early, hence, earlier than the others. In contrast, a license partner from group 4 raises questions in regard to this, and believes that even with a close cooperation, it is possible to book capacity just as early as within an alliance. Whether Aker BP will have first priority on deliveries from suppliers in the alliance is unknown and remains unidentified until an eventual market peak. However, it is reasonable to assume that the long term relationships created within the alliances will be beneficial and that Aker BP to some extent can experience being prioritized.

Despite positive attitudes regarding the possible market peak, a couple of participants from Aker BP also pointed out that there is a risk in relation to the fact that they think they are a "sure thing". Stated differently, there is a danger that the suppliers sacrifice Aker BP for the

benefit of someone else. Some believe that the suppliers will go as far as possible to satisfy as many customers as feasible, something that could affect the alliance.

"They will never go for us to risk losing Equinor." (G1-5, Translated)

This statement is an important point to pull forward. The suppliers in the alliance also work with other operators outside the alliance who in some cases may be more valuable than the alliance itself, or who pay more than the alliance does. One example is Equinor, which is the largest and what some would call the most stable client in the market.

"It is important to us that we do not get into that pitfall, that it becomes much more attractive to be elsewhere." (G2-4, Translated)

"It must be beneficial to be inside the alliance. Everyone has to make money and it cannot be the case that you earn twice as much outside the alliance. Then it will be difficult." (G2-1)

All the interviewed alliance partners (group 2) emphasize the merit of being in the alliance. However, it is important that both the operator and suppliers at all times benefit from using this model. Although this is something the model should have taken into account, high rates in the market can make it problematic. It is important that Aker BP as a customer constantly monitors prices and rates through benchmarking, to make sure that the alliance partners are not left with the impression of missing out on higher potential profit. To avoid this, it is important to have a long-term perspective and look at the total earnings instead of individual project income.

"In theory, an alliance should have access to the resources anyway, but then there is another theory which says that those who pay the best get the resources. Then the question is, does the money win this time too?" (G4-4)

The license partners (group 4) are critical to whether the alliance model has priority in the event of a market peak and believe that suppliers will potentially not be satisfied with the rates agreed on several years ago if they can receive significantly higher payments from customers outside the alliance. A challenge related to this is whether they are able to maintain deliveries from suppliers in the alliance and Aker BP`s ability to increase profit if needed.

On the other hand, a couple of participants from group 3 mentions the problem that Aker BP is stuck in the alliance if they feel that they are paying too much to the alliance partners. This is also an interesting topic that none of the alliance partners reflected on. The majority of the alliance partners focused a lot on the importance of the client reaching for market prices and rates, even in the alliance. However, it is important to emphasize that both parties, both the customer and the supplier, need to benefit from being in the alliance. If one of the parties in the alliance sees that there is more to be gained from other clients or suppliers, then this can potentially be detrimental to the model.

Scarcity of resources is also a topic that was mentioned in almost all the interviews and turns out to be a concern and a challenge linked to a possible upswing in the market. In some segments there may be a shortage of resources, while in others there is plenty. Based on the answers given, vessels and key personnel are the most limited segments that may be short in supply.

"This will limit the supply of resources, something you can almost already see in certain resources, i.e. personnel within engineering and early phase work" (G4-4)

Access to key personnel in the alliance during a potential market peak seems to be the biggest concern expressed by group 1 and group 2. The workload will increase, hence it may be more difficult to preserve an important workforce. This can be at the expense of key personnel in the alliance, and the alliance partners are concerned that resources will be moved over or taken into other projects. It has been proven difficult to staff up during a market peak as it is challenging to acquire personnel, but this is referred to as an industry problem, not only an alliance problem.

In addition, concerns are mentioned in regard to a new market downturn and downsizing as this can lead to loss of important key personnel and expertise. Several of the participants expressed that they are more worried about a new market downturn than for the estimated peak. In times with limited work, both key personnel and skills can disappear, which is something that is difficult to regain. When the market rises again, there will be a great need for competence and capacity into the shipyard and at the office. This will be a major challenge, especially within the alliance. Lack of key personnel, either in a market upturn or market downturn can potentially break the alliance model.

5.4 SWOT

In this thesis, a SWOT analysis is used as a summary of the most important factors collected from the results and discussion and was decided to be carried out as it helps with determining Aker BP's future contract strategy. The analysis shown in Figure 23 identifies the alliance model's strengths (S) and weaknesses (W), as well as potential opportunities (O) and threats (T) in the market.

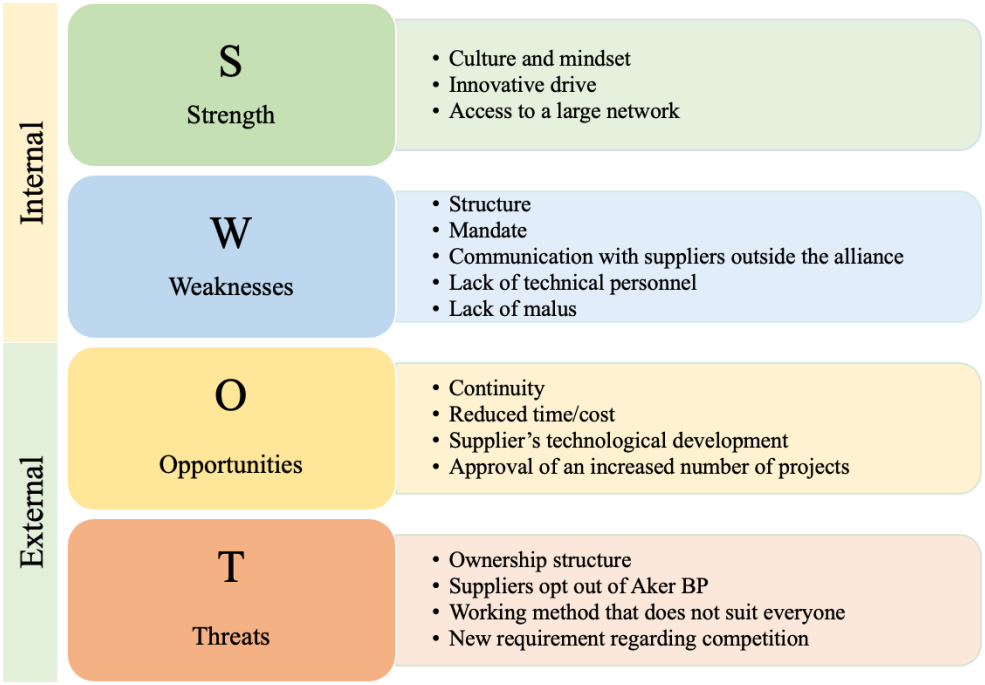

Figure 23 SWOT-analysis

The internal factors displayed in Figure 23, deals with the company's access to resources and the obtained alliance experience. External factors are elements affecting the organization from the outside, such as market trends, economic trends, or political regulations.

5.4.1 Internal Strengths

The internal strengths address Aker BP's organizational strengths, which may provide internal security with regards to their goal achievement. In particular, this concerns areas where they have acquired a special competence which distinguishes them from their competitors.

Culture and Mindset

The first thing noticed when talking to the employees within the alliance is the confidence in what they are doing, the positive attitude to this strategy, and how well it has functioned until now. Figure 23 displays that one of Aker BP`s strengths are the culture and mindset they have managed to develop. Among other things, the following was mentioned by a representative from group 4:

"Aker BP has probably built a type of culture and a way of working in the company that they are confident in, and that can be advantageous in itself" (G4-4, Freely translated)

The organization's culture and belief in this particular working methodology may be a result of leadership engagement and the effort in creating the right mindset, both internally in Aker BP and in the alliance partners` organizations. Culture and mindset are earlier mentioned as two of the alliance model's success criteria and is probably one of the reasons why Aker BP has spent a considerable amount time and resources in this area. If the mindset is not present, it may be very difficult to form an alliance, as they risk being treated in the same way as they would in a normal contractual setting by the organization.

In addition, group 3 and group 4 mentions that they experience openness and trust in collaboration with Aker BP. This way of working seems incorporated in the organization and therefore reflected in all the work done by Aker BP. It seems like these properties are appreciated in the market and that it makes collaboration with Aker BP desirable.

Innovative Drive

Secondly, it is mentioned that Aker BP as a company has a unique drive and is innovative in an otherwise quite controversial industry. One participant describes the following:

"There is a drive in the company to be innovative. It is a drive to get the best out of the projects" (G4-1, Freely translated)

Having the courage to think new and to go in with full effort is perhaps something that may help differentiate them as a company from the rest of the industry. Despite the fact that there may be some risks associated with this and that it requires a lot of work, it continually can

contribute to finding new solutions or ways of working which may lead to a positive reputation within the market.

Access to a Large Network

Another strength is the access to competence and the opportunity to help develop each other through collaboration. When working together with full transparency and trust, it is easier to talk about shortcomings and discuss organizational improvements. Simultaneously, the alliance gains access to a large network including sparring partners. Such factors form a basis for good development and learning for Aker BP as an operator.

5.4.2 Internal Weaknesses

Internal weaknesses are Aker BP`s shortcomings or possible areas of improvement. The SWOT analysis identifies weaknesses and the associated underlying causes, which can give an indication on which area the company should pay attention to improve.

Structure

One of the internal weaknesses mentioned in the interviews as well as in the theory concerns the structure when using an alliance model. It is said that Aker BP`s alliance model is based on a vision, where solving problems has happened a bit along the way while trying to build a well-functioning organization. This is something the suppliers within the alliance have seen as challenging at times. Additionally, it has been mentioned that areas of responsibility, the working methods, and communication sometimes is a bit loose, which makes controlling, especially in bigger projects, difficult. This problem can be solved by tightening the formality and structure by developing good tools and guidelines.

One of the license partners also mentions that:

"We as license partners probably want somewhat greater clarity in the various roles and somewhat better substrate level. The combination of alliances and licensing partners is very difficult" (G4-4, Freely translated)

They demand a bit more structure regarding distribution of roles, responsibilities, and better documentation on whether the use of the alliances is appropriate. This can be improved by

introducing better routines and making sure that the overall procurement strategy has adequate information.

In addition, communication is mentioned as an area of improvement. The communication within each separate alliance works well, but have potential for enhancement across the different alliances and projects. Establishing tools and frameworks on how to standardize the way of working in projects and across the alliances might lead to a more efficient project implementation with time.

Mandate

Mandate is mentioned as one of the success criteria for the alliance to work, i.e. those in the alliance must have a mandate to deliver on projects. We got the impression from the conducted interviews that there are some disagreements regarding this topic. Some participants mention that they feel partly monitored while others express that employees and disciplines down in the organization makes decisions on changes, in for example projects, without the real authority to do so. This can potentially be linked to the previously mentioned challenges such as stakeholder management and structure.

Communication with Suppliers Outside the Alliance

As discussed earlier, the communication between Aker BP and suppliers outside the alliance are a challenge that may lead to a weakened relationship with future potential contractors. Several participants representing group 3 express that they experience lack of communication and consideration from Aker BP, which is a challenge they should belittle going forward. Moreover, it is important that Aker BP consider the fact that they at some point may need to change their procurement strategy, for example due to new regulations or other adjustments in the market, and therefore it is essential to have knowledge about suppliers in the market. Good relationships may give the suppliers insight to the alliance model's lay-up which perhaps may ease skepticism about any competitive concern and the ownership structure. In addition, it is beneficial for Aker BP to maintain relationships in order to gain insight into market developments both in terms of prices and technology.

Lack of Technical Personnel

Another internal challenge mentioned is lack of technical resources from the operator’s side, something that is very destructive for the model. In order to be able to work efficiently, it is

important to have access to the right competence to continuously clarify various technical issues that arise. Access to competent personnel representing the operators are critical for the progress in each project.

Lack of Malus

Lack of malus is not necessarily a weakness but could potentially be a pitfall in the time ahead. Some of the participants mentioned that Aker BP is working to reduce the downside in the alliance contract, establishing a model that focuses on the upside. However, it is important to find a balance between the upside and downside in the compensation format to create good incentives in the project. One challenge that arises when discussing the sharing of the contract's downside is linked to the problem regarding the supplier's financial capacity, especially if problems should arise in several parallel and large projects.

We know that there will be a lot of work in the industry in the upcoming years, and that suppliers already mention that they have issues related to capacity. Is there reason to believe that suppliers will prioritize projects where the downside and potential liquidated damage are heavy? Such as for instance projects based on more traditional contracts.

5.4.3 External Opportunities

The external opportunities reflect the business possibilities in the market. The most innovative solutions often come from those who have managed to identify an unconscious need or possibility of improvement. In other words, business opportunities must be assessed to inspire the development of new products and services, both in existing and new market segments. In this thesis the SWOT analysis should identify Aker BP's opportunities by the use of the alliance model.

Most of the opportunities and benefits that can be provided when using the alliance model are discussed in Chapter 5.1.1. If one manages to create continuity in the alliance where all organizations work together towards a common goal with focus on problem solving and optimization of project implementations, time and cost may be reduced. Additionally, working together through all project stages gives suppliers the opportunity to develop technology jointly with Aker BP from an early stage, potentially leading to better solutions and reduced cost.

The use of the alliance model may also lead to more approvals of projects, due to a greater level of maturity in the early phases. As the contracts already are in place, Aker BP can spend the time saved on the procurement process to find the best solutions together with a team consisting of personnel with the right experience and competence.

5.4.4 External Threats

The external threats are impacts from the outside environment and are necessary to identify in order to protect the organization.

Ownership Structure

The ownership structure, discussed in Chapter 5.1.2.1, is a problem mentioned by several participants and is a special case that Aker BP needs to address. The suppliers discuss this topic regarding the fairness of the competition, whilst the license partners expressed their concern in regard to choosing the best optimal contractor for the project. As earlier discussed, a part of the solution may be increased communication with the market and an openness in connection to the challenge. On the other hand, Aker BP should also be careful how they word themselves when discussing topics which touch upon the ownership structure, as it quickly can be misinterpreted in the market

Suppliers opt out on Aker BP

Another external threat is that the suppliers opt out on Aker BP due to the use of alliances or their competitive concerns. Among other things, suppliers outside the alliance have stated that they will not prioritize Aker BP, knowing they are in an alliance.

"I don`t think we have available capacity to rent to them (Aker BP)" (G3-5, Translated)

"If I were a supplier, I would probably spend a little less time if there was a request from Aker BP, because I would have been pretty sure that the job would go to the alliance anyway. They are using me as a benchmark instead of using me for a physical delivery" (G4-1, Freely translated)

With this attitude in the market, there is a high probability of getting downgraded by a number of suppliers when Aker BP are working closely with the partners in the alliance.

Simultaneously, this may be more on a personal level and that ultimately it is about having attractive jobs to offer the suppliers. However, it is important to keep in mind that suppliers should not feel exploited or unfairly treated.

Working Method

Earlier in the thesis, there have been discussions regarding the importance of the culture and the right mindset in the alliance. This brings up the next external threat, which is the fact that this way of working may not suit everyone. This can apply to individuals, companies, but also cultures. For some individuals it can be considerably challenging to work so transparently and with such great trust, especially if the previous experience is from a conventional model where the operator's role is to control the suppliers. In addition, we know that the Norwegian culture is built on trust and it may not be easy to implement the alliance model with companies that have other cultural backgrounds. These are factors that can limit or threaten the alliance model. It is important that potential new alliance partners are willing to change their mindset and organizational culture if needed.

New Requirements Regarding Competition

The last external threat mentioned in the SWOT analysis is a potential change in the framework conditions. Originally, the oil and gas industry were subjected to regulations for public procurement, from which an exemption was granted in 2013. This exception was approved as the market was considered well-functioning at the time, provided that access to the marked remained unrestricted and that the activity concerned is directly exposed to competition. Therefore, an excessive use of the alliance model on the NCS may lead to the Norwegian oil and gas sector once again being regulated from the rules on public procurement.

6 Conclusion

The purpose of this thesis was to investigate the following problem:

Is the use of an alliance model advantageous in comparison to the conventional competitive model for Aker BP on the Norwegian Continental Shelf?

In addition, three research questions were examined concerning the alliance model's advantages and challenges, how the model will affect future collaborations with suppliers outside the alliance, and how well the alliance model is prepared for the possible market peak projected in 2025. The results have been obtained by collection of qualitative data where eighteen semi-structured interviews were conducted with informants both within and outside the alliance.

The results of the collected data give the impression that Aker BP has a well-functioning alliance model and that the involved parties are satisfied with the contract strategy. Although the thesis concludes that a continuation of the strategy can be advantageous, it is important to remember that the comparison is done against a caricatured conventional competitive model. In reality, there are intermediate forms of contacts that can achieve some of the same benefits that you have in an alliance without locking oneself to a few preferred suppliers. A direct comparison between the two contract strategies, the alliance model and the conventional competitive model, is almost impossible, as a project will never occur twice. Nevertheless, it will be possible to refer to a good project execution that has delivered in accordance to the predefined scope, i.e. time, cost, and quality.

Although the model works well today, there are certain internal weaknesses and external threats that Aker BP is recommended to consider for potential improvements of the alliance model. Structure and formality are weaknesses we consider as pitfalls for the alliance. A solution could be to invest in resources that prepare tools to be used across the alliances, such as work procedures, documentation guidelines, and distinct role descriptions. This may potentially help the alliance through conflicts and be the key for viability.

In order to have a well-functioning future collaboration with suppliers, the external challenge regarding communication with the market should be taken into account. With increasing

involvement in the market and improved communication with suppliers outside the alliance, there may be a decrease in competitive concerns in addition to a potential simplification of the problems associated with the ownership structure. A recommendation may be to conduct a conventional competitive procurement process, where Aker BP has the opportunity to increase their familiarity and credibility in the market. Additionally, this may help maintain their knowledge of the conventional way of conducting a procurement process and beyond that work as a benchmark in the market.

There is no obvious answer to the question regarding the expected market peak. Although the interviewees are unsure in their responses, there is an impression that Aker BP has the anticipation of being prioritized by the alliance partners despite limited resources. The answers given by the suppliers reflect that "money talks", hence it is important to be able to adjust rates and have the opportunity to utilize suppliers outside the alliance as well. A final recommendation regarding the expected market peak, is an increased focus on the malus, as it is known that the alliance model has fewer downsides than the conventional competitive model.

6.1 Further Research

This thesis has uncovered main problems related to Aker BP`s use of the alliance model. The challenges discovered have not been analyzed in detail, therefore we recommend looking further into the following areas:

- The organizational structure both within Aker BP and the alliance
- How to improve the benchmarking
- Improved communication between the alliances
- Establishment of a plan for the expiry of the alliance contracts

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Appendix A – Interview Guide

<table>
<tr>
<td>Introduction to the interviewers
Elise Kristoffersen, 27 years old from Stjørdal.
Currently in my final year at the university of Stavanger where I am taking my master’s in industrial economics with specialization in construction, project management and contract administration. My bachelor´s degree is in civil engineering.

Linn Svendsen, 25 years old from Etne.
Bachelor’s degree in Chemistry and Environmental Engineering. Currently taking a master’s degree in Industrial Economics with specialization in Risk Management, Project Management and Contract Administration at the University of Stavanger.</td>
<td>Background of the study
As a result of the desire to increase efficiency and reduce cost, there has been innovation regarding new contract and collaboration surfaces between suppliers and operators through a “one team” organization to improve projects by simultaneously involving the entire value chain in the supplier industry.

Aker BP adopted the alliance model in 2016 and wants to investigate if this strategy has a viable future. This thesis will examine the challenges and opportunities associated with Aker BP’s alliance model.

This thesis is written in collaboration with Aker BP.</td>
</tr>
<tr>
<td colspan="2">Research questions
1. What advantages and challenges are Aker BP`s alliance model facing today?<br>2. How will Aker BPs alliance model affect a possible future collaboration with suppliers on the Norwegian Continental Shelf?<br>3. How well prepared is Aker BP`s alliance model for the estimated market peak in around 2025?</td>
</tr>
<tr>
<td colspan="2">Purpose of the interview
To investigate if the use of an alliance model against the competitive market is recommended for Aker BP. Interviews will be conducted to obtain knowledge and experience concerning Aker BP`s currently used contract strategy, as this information is not available in the literature. The results will be used to answer the thesis`s problem.</td>
</tr>
<tr>
<td colspan="2">Practical information
Prior to the interview, an application was sent to the Norwegian Centre of Research Data (NSD) to ensure that the collected data are stored legally and safely. The interview will be recorded and transcribed, as long as this is approved by the participant(s). The transcript will be sent to the participant(s) for approval before the results are published. The interview object(s) will remain anonymous in the thesis, and referred to as “Contractor A” etc.

The interview will be semi-structural, and the interview questions will be based on answering the research questions. Additionally, there will be some follow-up questions to guide the participant(s) if the dialogue falls out of topic. The participant(s) will do most of the talking to get an unbiased interview.</td>
</tr>
</table>

Appendix B – Pilot interview

Pilot interview

Part 1:
1. Do you work in an alliance today?
2. Have you been involved in an alliance before?

Part 2:
3. What do you consider are the benefits of using the alliance model?
4. What do you consider are the challenges of using the alliance model?

Part 3:
5. How do you think a market peak will affect the alliance model?

Part 4:
6. How do you think the introduction and use of the alliance model has affected any future collaborations with suppliers that are currently outside the alliances?

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Interview

Part 1:
1. Do you work in an alliance today?
2. Have you been involved in alliances from previous employers?

Part 2:
3. What do you consider are the benefits of using the alliance model?
4. Can you name 1-3 success criteria you find important in order for the alliance model to work?
5. What do you consider are the challenges of using the alliance model?
6. Can you name 1-3 pitfalls that the alliance model needs to overcome or can encounter?

Part 3:
7. How do you think the introduction and use of the alliance model has affected any future collaborations with suppliers that are currently outside the alliances?

Part 4:
8. The forecasts assume a market peak in 2025. How do you think it will affect the alliance model?

Appendix C – Results from Group 1

Theme in question	Answers
Part 1	
1. Do you work in an alliance today?	Three out of five participants work in an alliance today.
2. Have you been involved in alliances from previous employers?	Three out of five have previously worked in an alliance, where some additionally have been involved in setting up the alliances.
Part 2	
3. What do you consider are the benefits of using the alliance model?	The following bullet points, with associated number (#) of occurrences, represents the answers given: - Compensation format (3) - Integrated team (3) - Interface (2) - Reduced completion time/cost (3) - Continuity (3) - Better solutions (1) - Transparency (1) - Less formal (1) - Long-term relationships (1) - Organizational development (1) - Preparation of the MLC (1)
4. Can you name 1-3 success criteria you find important in order for the alliance model to work?	The following bullet points, with associated number (#) of occurrences, represents the answers given: - Trust (2) - Compensation format (1) - Transparency (3) - Communication (2) - Mindset (Alliance mindset) (3) - Interface (1) - Mandate (1) - Cooperation (1) - Sufficient competence (1) - Invest time in the startup phase (1) - Accountability (1) - Motivated partners (1)
5. What do you consider are the challenges of using the alliance model?	The following bullet points, with associated number (#) of occurrences, represents the answers given: - Stakeholder management (2) - Benchmarking (2) - Cultural change (1) - Sanctioning (2)

	- Formality (2) - No market check (1) - Restriction on partners (2) - Financing of technological developments (1) - Competitive concern (2)
6. Can you name 1-3 pitfalls that the alliance model needs to overcome or can encounter?	The following bullet points, with associated number (#) of occurrences, represents the answers given: - Structure (2) - Stakeholder management (1) - No market check (1) - Forget the conventional way of working (1) - Mandate (1) - Preparation of the MLC (1) - Overlapping suppliers (1) - Formality (1) - Mindset (1) - Loss of suppliers (1)
Part 3	
7. How do you think the introduction and use of the alliance model has affected any future collaborations with suppliers that are currently outside the alliances?	Two of the participants discuss this as an unclear situation that Aker BP must address in the coming years. Additionally, they answered: - The most important thing for the suppliers is to have a fair competition. We have experienced that some of the suppliers would not give prices to Aker BP, partly due to the alliance and the link between the ownership. - If I was TechnipFMC or another supplier, I would be interested in bidding for work. "You need to go in aggressively to get that contract, with a plan of a long partnership that is a win-win for both parties". The other participants answered as follows: - Entering into an alliance with new partners is in principle possible, but the transactional cost is quite high. It can take several years to build trust and openness, so in a way you start anew. - It is not a problem entering into cooperation's with suppliers who are outside the alliance today. We are free to do this if the alliance partners cannot deliver goods or

	services that is “fit for purpose”, but then we need to consider that this complicates the interfaces in the projects. Normally, this results in a bit more risk, but is possible to handle. - From my experience, the suppliers are satisfied with the way we work and find it easier to come to a solution in a team. Also, for those who are not in the alliance today. In other words, in general Aker BP has an integrated approach to problem solving. - I think the replacement of the alliance partners will go well, but we will then need to invest some time in forming new relationships. Now we will have the opportunity to enter the market with a better description of what is expected by the suppliers in the alliance, which may result in a faster structuring of the alliance. - The negative part is if the suppliers outside the alliance have an impression that Aker BP is “marrying” the alliance partners. That the long-term relationship limits part of the clients' access to the market.
Part 4	
8. The forecasts assume a market peak in 2025. How do you think it will affect the alliance model?	- I think the alliance model works well in a market peak. I think it is a more sustainable model that creates a less boomed boosted type of environment. So, the model helps with the planning in the longer term and helps Aker BP to have a more consistent pricing. - One of the benefits of the alliance model is that we are in the projects from the start. In addition, we have access to the suppliers´ portfolios, so we are able to book the capacity earlier. We always work together with the suppliers to secure the alliance. - Operations under flexible manners is another benefit. We have the flexibility to move products and equipment from one project to another as long as the project is run by the alliance partners. - It is important to be faithful in both good and bad times. The alliance model will help smoothen the fluctuations in the industry.

	- The alliance is very much affected by Aker BP´s willingness to invest and the oil price, that again will determine what we will do. - It will be very tight by 2025, because the suppliers have limited capacity and the demand will increase. But we are first in line and will get the A-team. - The suppliers will try to satisfy as many customers as possible. Nevertheless, there is a clear expectation that we will have priority. - There will probably be a busy time for the suppliers in the industry. It is important to keep in mind that "money talks". If one of the alliance partners wins lots of contracts, this can be at the expense of the people in the alliance. - We should not think that the alliance partners will get rid of us. I think that they have seen the value of the alliance model and that their motivation to bid on our scope is great. I think that is an advantage for us. In addition, a relationship is built up. - It can be a risk that they think we are a «sure thing». We may be seen as a little kind, so there is a danger that they will sacrifice us. We are not Equinor, so they will never go for us to risk losing Equinor.
Additional information	
Technological development	- Suppliers have good opportunities to be innovative when they are involved in the early stages of the project. Aker BP contributes to the technological development, which has cost a lot of blood, sweat, tears and money.
Other	- We have mostly had complementary and non-overlapping suppliers, which I think is very important. - Previously, oil and gas were subject to the guidance regulations (regulations for public procurement). If this is introduced again, one may be required to compete. - When you enter into the alliance, you say that you are not going out into the market to pick suppliers. Having said that, we have the opportunity to do so.

	- When it comes to the approval of the Overall Procurement Strategy, this should come earlier than DG2, at DG1. All license partners have their own strategies, but we believe that the alliance strategy will deliver projects on time, at the right cost, with the right quality and within our PDO estimates.

Appendix D – Results from Group 2

Theme in question	Answers
Part 1	
1. Do you work in an alliance today?	Four out of four participants work in an alliance today.
2. Have you been involved in alliances from previous employers?	Three out of four have experience from previous alliances.
Part 2	
3. What do you consider are the benefits of using the alliance model?	The following bullet points, with associated number (#) of occurrences, represents the answers given: - Compensation format (1) - Reduced completion time/cost (2) - Better solutions (3) - Transparency (1) - Predictability (2) - Network (1) - Common goal (1) - Personal development (1) - Technological development (1)
4. Can you name 1-3 success criteria you find important in order for the alliance model to work?	The following bullet points, with associated number (#) of occurrences, represents the answers given: - Trust (3) - Compensation format (3) - Transparency (2) - Mindset (1) - Demand (1) - Co-location (2) - Leadership engagement (2) - Respect (1) - Continuity (1) - Culture (1)
5. What do you consider are the challenges of using the alliance model?	The following bullet points, with associated number (#) of occurrences, represents the answers given: - Stakeholder management (3) - Cultural change (1) - Formality (1) - Structure (2) - Neglecting the model's intention (1) - Technical resources (1)

6. Can you name 1-3 pitfalls that the alliance model needs to overcome or can encounter?	The following bullet points, with associated number (#) of occurrences, represents the answers given: - Mandate (1) - Formality (1) - Technical resources (1) - Conflict of interest (1) - Structure (1) - Broken trust (2) - Complacent (1) - Compensation format (2) - Lack of continuity (1) - Neglecting the model`s intention (1)
Part 3	
7. How do you think the introduction and use of the alliance model has affected any future collaborations with suppliers that are currently outside the alliances?	Three out of four think that the situation has been challenging for some suppliers. Two participants follow up by explaining that the environment is dynamic and that the market works well, and two participants explain that the problem is more related to a person's emotions. Additionally, the following was mentioned to answer the question: - Everyone really wants to be part of everything. - Business is business, so when looking at the company level, and not the personal level, you are interested in projects and the cash flow it generates. - That would be a problem for the alliance, because then you have to rebuild things from scratch, and it takes time. Not everything we do in the alliance is written down anywhere. So, I think it would be a challenge in terms of delivery, but not a competitive challenge. - It is not the case where we have an exclusive agreement with Aker BP, so there are still other suppliers delivering products and services that we are not competitive on. This is part of the agreement and this has not led to any difficulties. - The market is used to framework agreements, so whether it is an alliance or a long-term contract within vessels is

	insignificant. I think it is something the market knows how to live with.
Part 4	
8. The forecasts assume a market peak in 2025. How do you think it will affect the alliance model?	Four out of four mention the importance of the alliance being advantageous for the involved parties, hence adjustments of rates and prices in line with the market. Two out of four mentions that they are willing to have slightly lower rates in the alliance model, due to the steady amount of work over a given period of time. It is the total earning that is important, therefore the management must have a more long-term perspective when entering an alliance. One of the participants mentions that he is more afraid of a decline in work, as one can lose important key personnel, while another person mentions that it has not been a problem getting more people into the alliance so far. Also, one mentions that hiring more people can be a problem if the market peaks. Additionally, the following was mentioned to answer the question: - One of the alliance model´s advantages is that you can push through a lot of work in a short period of time, so I think you can manage a market peak if you manage to stay anchored in all the companies.
Additional information	
Method of working	- The fact that you as a supplier get to be involved in an early phase of the project and have the opportunity to help develop good concepts is rewarding. - If the "carrot" is big enough making everyone a winner in the end, then you automatically create a drive that stimulates cooperation. - There has always been work, a good learning environment and greater responsibility in the alliance. - Being involved from an early stage is only beneficial. It allows us to find the best and most cost-effective solutions together.

	- I enjoy the way of working. It is open and honest from the beginning and everyone is in a way working towards the same goal.
Mindset	- It has been surprisingly easy to change the mindset to thinking holistically on the project. People see the project in total and what is best for the asset. - The Norwegian mentality can to a certain extent have an impact on the functioning of the alliance, as there is a high degree of trust in the Norwegian society. - We feel that Aker BP has been much more open and transparent than we might have imagined when we joined the alliance. We have also shared more than we would ever do with any other customer. - There are situations where trust has not been completely in place. Perhaps mostly from Aker BP`s side, as they have brought in people who are new to the alliance. This has a lot to do with the mindset, where many of them not yet have been co-located with us, hence not experienced the openness within the alliance. - The mindset has not been a problem as you work 100% within, or 100% outside the alliance.
Technology	- I think the early involvement of suppliers helps develop technology. You have the opportunity to test a lot of technology and take this early into account in order to include it when calculating the project price.
Structure	- The areas of responsibility can be a bit unclear. You feel that everyone takes a little responsibility for everything, which leads to no one taking the full responsibility. Therefore, it is very important to have control over roles and responsibilities. - The loose alliance structure leads to a less formal communication. Things are mentioned in the hallway or in an email, when it really should have been in the TQ. This problem increases with the complexity of the project.
Other	- The alliance was established in a downturn, meaning that the alliance got a lot of talented people. It has at times been a challenge keeping these people in the alliance, but it has

	worked out since it has been very attractive working in the alliance. - We have seen a great advantage from the alliance, such as last year when Aker BP was better and faster than others to start projects again.
Recommendations	- I think Aker BP should put more resources across projects to build structure. E.g. to set up systems. - It is important that you are able to add new energy into the alliance when you at some point may wear out.

Appendix E – Results from Group 3

Theme in question	Answers
Part 1	
1. Have you worked in or been involved in an alliance?	Three out of five have been involved in an alliance.
2. How well do you know Aker BP`s alliance model?	Two out of five know Aker BP`s alliance model well while the rest have medium knowledge.
Part 2	
3. What do you consider are the benefits of using the alliance model?	The following bullet points, with associated number (#) of occurrences, represents the answers given: - Compensation format (1) - Integrated team (2) - Interface (1) - Reduced completion time/cost (3) - Continuity (1) - Better solutions (2) - Long-term relationship (2) - Predictability (1) - Network (1) - Common goal (2) - Influence throughout the value chain (1) - Technological development (1) - Increased scope of work (1) - Drawing of resources (1) - Standardization (1) - Combination of projects (1) Some of the participants also mentioned some success criteria: - Trust (1) - Transparency (2) - Communication (1) - Mindset (1) - Continuity (1) - Contract (1) - Culture (1) - Leadership engagement (1)
4. What do you consider are the challenges of using the alliance model?	The following bullet points, with associated number (#) of occurrences, represents the answers given: - Stakeholder management (1) - Cultural change (1) - Restriction on partners (2)

	- Competitive concerns (5) - Communication with the market (1) - Transparency (1) - Understanding the other`s organization (1) - Conflict of interest (2) - Continuity (1) - Prioritizing (1) One of the participants also mentioned a pitfall: - Broken trust (1)
Part 3	
5. Do you feel that the introduction and use of the alliance model has affected a possible future collaboration with Aker BP?	Three out of five participants mentioned that they are concerned about the difficulty of choosing somebody apart from the current alliance partners, and that there will be a barrier to enter the alliance for someone new. One participant expressed their concern about the bidding process, whether it is used as a benchmark, and that the alliance had already been awarded the work. Also mentioned are the fear of competitors getting confidential information or documentation from the tendering process, due to the close relationship between the parties in the alliance. Additionally, the following was mentioned to answer the question: - I`m very concerned about the future cooperation with Aker BP, but of course we would be willing to work with Aker BP in an alliance model. - I think going out on the market again will be easy. It´s a huge process, but so is any other tender for a company as Aker BP. What is difficult is choosing somebody apart from the guy you have been married to for 10 years. - I think there has been quite a gap where Aker BP has not contacted us much to supply certain types of equipment. - It would be very interesting working closer with Aker BP, certainly in the down periods. When things go up, is when it is good to be in a free position.

	- I don`t think there is any intention, from my side at least, to be involved in an alliance. - It is not a goal for us to work with Aker BP when we know that they are in an alliance. - If we start working with Aker BP, we know there is a certain part of work we don't get a chance of winning, because it is fully covered by the alliance. - If a lot of the projects tendered are in the existing fields where the infrastructure is covered by today's alliance partners, it is difficult to enter into an alliance. However, if there are new fields where we are competing on the same basis as the others it is more attractive.
Part 4	
6. The forecasts assume a market peak in 2025. How well prepared is the supplier market for the peak?	Three out of five said that the alliance has an advantage when it comes to the readiness of the suppliers because of better planning together. Another says that the advantage with the alliance is the focus on cost, efficiency and value generation and shared risk and reward. Additionally, the following was mentioned to answer the question: - If Aker BP leave the contract because they think they are paying too much, then suddenly an alliance with Aker BP is not worth anything. - I think the alliance format in a way is securing the access to resources. - In such a stretched market it is perhaps not easy to enter into an alliance model. - It is going to take some time to rebuild the organization back to where we can work in the peak period again. We can see that we have to turn down jobs already, meaning that we can choose the jobs we want to go for. - It will be the alliance partners' responsibility to prioritize the alliance in such a period.

	- I don´t think that we have any spare capacity to offer during this period.
Additional information	
Method of working	- There is a unilateral right to walk away from the contract, meaning the customer could walk away from the contract, but the supplier cannot. - This model is viable for the future, and something that perhaps should have more focus. When things are going well and we are only having success stories, it is not hard to be happy and smile. When things are going though, perhaps the old way of running projects tends to come back. - If the contractor is guaranteed to have work, what kind of effort can you really expect. I mean, if you have less competition, there is less stress and therefore less effort. - Working in an alliance is not something that we are doing a lot. - I think this is a model for the future. Now that many new operators have entered the market, I think it is a sustainable solution.
Mindset	- I don`t know if it is the Norwegian mindset that makes alliance more frequent here. It is hard to put a finger on where it works and why, but I think it´s about the mindset of the company as well as the business environment you`re in. - I think that we in Norway are lucky because it is a very trusting society in many ways.
Other	- Out of all the alliances we are involved in, none of them are exclusive for all of one company`s piece of work. So, it is quite unique that Aker BP has done this. Not quite the ideal for themselves or the industry, I think. - They have given everything to one, so they have no chance of understanding or benchmark performance, technologies, or pricing. - What supplier has the answer to everything?

	- I think Aker BP is very open and forward leaning. - Credit to Aker BP, they mean it, and they are living it and putting it into work. - For me I have a preferred relationship with Aker BP. - As of today, we deliver very little to Aker BP.

Appendix F – Results from Group 4

Theme in question	Answers
Part 1	
1. Have you worked in or been involved in an alliance?	Three out of five has been involved with some type of alliances.
2. How well do you know Aker BP`s alliance model?	All of the participants know Aker BP`s alliance model quite well.
Part 2	
3. What is your opinion regarding the use of the alliance model?	The interviewees had different opinions regarding the use of the alliance model, ranging from positive to more critical. Three out of four felt that the alliance model has been more frequently used in recent years and that the trend goes towards cooperation between the client and a few suppliers in the industry. Additionally, the following was mentioned to answer the question: - I have no problem with the actual implementation of the alliance model, as long as they are able to document that the performance is competitive in both price and quality. - When we see that the model works, that there is a shorter project implementation, that thing get done at the right time, and that the model to a certain extant gives cheaper projects, then we are somewhat convinced. - I have not yet seen documentation that the alliance giving better result than what one would get with a normally close collaboration. So, these are still hypotheses, and has in my opinion not been proved. - I believe that the intention of the alliance model, where everyone win and lose together, is very good, although success depends on some criteria. One can also question "what if one does not succeed?" - I believe that competition is an important drive, both to ensure the right price to keep suppliers on their toes to promote development.

	- A dilemma in a such model is that you will always wonder if you are paying the right price in comparison to the market. - I think that the alliance model is a good way to get into the market quickly, but at the same time it is a model that makes it difficult to have control over your own competitiveness. - It is absolutely a model that one should consider as an alternative, but it is important to question how appropriate it is from project to project and case to case. - The alliance contract is built on the belief that it will be profitable in the end. How do you argue for that? - It is important to distinguish between individual alliance contracts and long-term alliance collaboration. In my opinion, long-term collaboration requires a lot more documentation, for us as partners, to be able to give the green light.
4. What do you consider are the benefits of using the alliance model?	The following bullet points, with associated number (#) of occurrences, represents the answers given: - Compensation format (1) - Integrated team (2) - Interface (1) - Continuity (3) - Network (4) - Common goal (2) - Flexibility (2) - Early involvement (1) - Access to Schedule (1) - Reduced transaction time/cost (3) - Technological development (1) Some of the participants also mentioned some success criteria: - Trust (1) - Compensation format (1) - Transparency (1) - Leadership engagement within the organizations (1) - Culture (1)

5. What do you consider are the challenges of using the alliance model?	The following bullet points, with associated number (#) of occurrences, represents the answers given: - Stakeholder management (1) - Benchmarking (4) - Sanctioning (2) - Formality (1) - Restriction on partners (2) - Financing of technological developments (1) - Competitive concerns (3) - Conflict of interest (1) - Preparation of the MLC (2) - Limited liquefied damages (1) - See-to duty (1) - Compensation format (1) Some of the participants also mentioned some pitfalls: - Complacent (1) - Compensation format (1)
Part 3	
6. How has the use of the alliance model affected your collaboration with Aker BP as a licensing partner?	Two out of four said that the interaction with Aker BP has not changed, while one said that it has led to greater requirement for follow-up to ensure that the rates are competitive. Additionally, the following was mentioned to answer the question: - You must be alert and handle the suggestions that they sometimes make that do not seem so well thought through. - There is a large degree of transparency also in the license from Aker BP`s side. I believe that there is a greater chance of success when working together. - We must, to a greater extent, trust that they have made a business assessment, and then you can question whether trust is sufficient within the see-to duty we have towards the authorities.
Part 4	
7. The forecasts assume a market peak around 2025. How do you think such a market peak will affect the supplier	Three out of four participants think that there will be shortage of resources in some segments, something that will affect the price and supply.

market and the operator`s access to resources?	Three out of four mentioned that they think the supplier will prioritize the jobs that are most attractive and pay the best and talk about the importance of being able adjusting to the market. Additionally, the following was mentioned to answer the question: - We have a more transparent market than before, and the contracts being signed are much better distributed. - From the perspective of the alliance, you are at a greater risk of losing the competition against a liquidated damage, i.e. against that level of fine. - The advantage of the market peak in 2024 -2025 is that it is not global. - I do not think that the alliance model will lead to any advantage in the queue, regular collaborations have also a close dialogue with vessels. - The theory behind alliances is that you should have access to these resources, regardless. There is also another theory that states that whoever pays the most gets the resources.
Additional information	
Future collaboration	- It is going to be very hard. In the course of 8 years, you form quite a few bonds between the organizations, both in the process form and in the agreement form. There are things that are adapted to the partner you have and interpersonal, between the contract manager and project manager who build a lot of internal communication. - I would probably think that the market expects an extension of the contract. - It can be challenging for Aker BP entering the market again. It will depend on whether they have lost contact with alternative suppliers. They may also struggle with credibility if they lack commitment with the various suppliers in advance.

Benchmarking	- I think the implementation of benchmarking has worked very well. At least as long as it is off the shelf or things that they have ordered often. It's worse when it comes to things that are installed very infrequently. - Benchmarking is done at a high level, and they fail to break it down per contract. Additionally, the databases are not very large, so the benchmarking is not sufficient.
Project implementation	- We have noticed a huge difference in project implementation after the alliance model was adopted. It is a drive from the company to be innovative and to get the most out of the projects. There is a very strong reduction in the time it takes to complete, perhaps not necessarily the project development or project implementation, but everything that goes into the contract strategy, contract conclusion, and preferably, the negotiations. It goes faster and costs less in terms of time.
Competitive concern	- If I were supplier A, I would probably spend a little less time if there was a request from Aker BP, because I would have been pretty sure that the job goes to Subsea 7 anyway. They use me as a benchmark instead of using me for a physical delivery. - You cannot enter the market and expect people to hand in an offer when they know that they are used as a benchmark.
Technology	- Aker BP has neglected the technological advances made by competitors. It is not certain that you have made the right choice. - If you work exclusively with one, you will miss the opportunity if there is someone in the market who has come up with something that is smart for you. - You lose the dynamic technological development in the market. I cannot see that the alliance in any way contributes to more innovation.
Interfaces	- You should have an advantage in management of interfaces when you work so closely together in the alliance, but the pitfall is that you work so close that you do not focus enough on it.
Other	- It is very difficult to combine and justify the alliance model up against the partners.

	- If you as a supplier have limited margins, there are requirements that you are able to adapt and become more efficient to survive in the market.