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How can strategic alliance relationships be sustainable?

A case study on Equinor and TechnipFMC

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Preface

This thesis is the final submission to complete the Executive Master of Business and Administration at the University of Stavanger. In our selected case study, we review how a client and supplier as an example, can enforce their vision for a client-supplier alliance. Our intention is not to write this thesis based on our current employers, but the varied viewpoints will give this an interesting perspective when seeing how the business relates to sustainability.

Tommy Løkke works at Equinor[1] within Supply Chain Management and Mads C. Bull-Borgen works with Procurement contracts for TechnipFMC[2], both representing typical companies that could be subject to an alliance relationship. This type of collaboration has been known throughout the industry. We present a case study of how Equinor and TechnipFMC could enforce the vision of such a relationship, we set out to investigate how they could be sustainable if they entered an alliance. We will present our research related to strategic alliance sustainability to our readers in the eyes of two part time students, working in these two companies. Our journey together started with the introduction of alliance contracting when undertaking a written home exam in E-MBA 220-1[3] contract and supplier relations.

Moving forward with our research, we have been blessed with intrigued colleagues and senior management at our workplaces. As the E-MBA[4] is a part-time study over a time span over approx. 3 years, we are managing time for this master thesis in addition to our family and work situation. For those who have supported us, we are forever grateful for letting us continue non-stop with our paper. We will like to extend our gratitude to our mentor Bjarte Ravndal, interviewee`s and our families.

Best regards, Mads C. Bull-Borgen and Tommy Løkke

[1] Equinor; Energy company developing oil, gas, wind and solar energy
[2] TechnipFMC; Oil and gas service company within SURF and SPS segments, and others
[3] E-MBA 220-1; Contract and supplier relations course as part of E-MBA program
[4] E-MBA; Executive Master of Business and Administration

Summary

This paper will take you through how client-supplier relationships will be sustainable in the oil and gas market. As seen in the past years, suppliers and oil and gas operators are shifting their strategies to work closer together. In our case study, we have looked at how Equinor and TechnipFMC as an example of how they both can enforce the vision of a sustainable alliance relationship. The client is taking on the recent market trend of increasing more scope to their trusted partners, known as Integrated supply. The supplier is empowered to provide a wider scope to their clients, and often done so in alliance relationships. The question of sustainability between such companies has yet been tested, and has raised the following thesis question, *"How can Alliance Relationships be sustainable?*". This paper discusses how the selected participants of our case study would enforce the vision set for sustainable alliance relationships.

The idea and purpose of this paper has been to explore what choices Equinor and TechnipFMC would make in order to create a sustainable alliance. We have conducted interviews to address how they would enforce their visions set for such partnerships. As we discuss our thesis question against the chosen model The Alliance Pillars (Figure 6)[5] the envisioned Pillars by Equinor to engage in alliance relationships. Those pillars are discussed through selected theories; Trust, Governance, Transaction cost, Innovation, Capabilities and Change management.

The paper has identified the importance of sustainability in strategic alliance relationships. However, a few weaknesses have been identified as we have progressed. We both work for these large companies with only one case study to test these theories. We expected to discover that the integrated supply would hold key significance in entering an alliance. Our discovery was entirely different, where the contracting theories have shown through the alliance pillars that were introduced by Equinor, that strategic alliance relationships could be sustainable by applying the Equinor alliance pillar model (Figure 6). Some recommendations were provided showing the importance of change management, trust, sustainable partnerships and, the importance of foreseeability in relation to both innovation and sustainability.

[5] Figure 6 - The Alliance Pillars model

Table of Contents

1 INTRODUCTION 8

1.1 BACKGROUND 9
1.2 THESIS STATEMENT 10
1.3 THESIS DELIMITATION 11
1.4 THE LAYOUT OF THIS PAPER 13

2 THEORY 15

2.1 TRANSACTION COSTS 15
2.2 CONTRACT GOVERNANCE 17
2.3 INNOVATION 20
2.4 CAPABILITIES 22
2.5 TRUST 23
2.6 CHANGE MANAGEMENT 25
2.7 THEORY - CONCLUSIONS 26

3 METHOD 29

3.1 SELECTION 29
3.2 DATA COLLECTION 31
3.3 RESEARCH DESIGN 32
3.4 STRATEGIC ALLIANCE PILLARS 33

4 RESULTS 37

4.1 SUMMARY OF RESPONSES 37

5 DISCUSSION 45

5.1 TRUST 45
5.1.1 Long term partnership 45
5.1.2 One team 46
5.1.3 Culture 47
5.1.4 Standardization 48
5.1.5 Performance drivers 49
5.2 GOVERNANCE 51
5.2.1 Long term partnership 51
5.2.2 One team 52
5.2.3 Culture 53
5.2.4 Standardization 53
5.2.5 Performance drivers 54
5.3 TRANSACTION COST 55
5.3.1 Long term partnership 55
5.3.2 One team 56
5.3.3 Culture 57
5.3.4 Standardization 58
5.3.5 Performance drivers 59

5.4 INNOVATION 60
5.4.1 Long term partnership 60
5.4.2 One team 61
5.4.3 Culture 61
5.4.4 Standardization 62
5.4.5 Performance drivers 63
5.5 CAPABILITIES 64
5.5.1 Long term partnership 64
5.5.2 One team 65
5.5.3 Culture 66
5.5.4 Standardization 67
5.5.5 Performance drivers 69
5.6 CHANGE MANAGEMENT 71
5.6.1 Long term partnership 71
5.6.2 One team 73
5.6.3 Culture 74
5.6.4 Standardization 76
5.6.5 Performance drivers 78

6 CONCLUSION 81

6.1 MANAGERIAL RECOMMENDATIONS 82
6.2 LIMITATIONS 83
6.3 FUTURE RESEARCH 83

7 REFERENCES 84

7.1 SOURCES 84
7.2 INTERNET PAGES 89

APPENDIX A: INTERVIEW GUIDE 90

List of Figures

Figure 1 Example of integrated supply and Equinor and TechnipFMC case study 9
Figure 2 Integrated contracts take market share 12
Figure 3 The layout of this paper 13
Figure 4 Theory selection 15
Figure 5 Equinor alliance pillars 32
Figure 6 Equinor alliance pillars model 34
Figure 7 Method triangulation 36
Figure 8 Discussion build up 45
Figure 9 Alliance foreseeability 71

List of tables

Table 1 Data collection 31
Table 2 Summary of responses 44

List of abbreviations

ECPI	Engineering, Procurement, Construction and Installation
EPC	Engineering, Procurement and Construction
FEED	Front End Engineering Design
HSE	Health, Safety and Environment
IDWS	Integrated Drilling and Well Services
IEPCi	Integrated Engineering, Procurement, Construction and Installation
KPI	Key Performance Indicator
MPM	Multi-phase meters
NPT	Non-productive time
OPEC	Organization of the petroleum exporting countries
SPS	Subsea Production Systems
SSB	Statistics Norway
SURF	Subsea Umbilical's, Risers and Flowlines

1 Introduction

The oil and gas industry over the past few years have been striving to maintain their workforce and competence after a brutal downfall since 2014. Looking back, the Brent crude [6]oil price has even since been swaying up and down, causing instability in the oil markets. While the Brent crude hit $ 86 in 2018 (tradingeconomics.com), this year during the Covid-19 [7]situation and the Russia / OPEC[8] disagreements, the Brent crude oil price hit $17,50 per barrel (tradingeconomics.com), showing the volatility of the markets that we operate under.

The effect of such volatile pricing has been very hurtful for the industry, not just the oil and gas operators but the connected suppliers and networked companies to this industry. According to Statistics Norway (SSB.no), it was recorded that over 47 000 jobs connected to oil and gas were lost since the downturn started in 2014. As we see how the oil and gas industry have been struggling with downturns and various crises, the impact may at times cause serious problems for the oil and gas operators along the Norwegian continental shelf. Operators and key suppliers have cut their workforce over the past decades of crisis, which may also threaten the development of future oil production. This effect will question the sustainability of the oil and gas relationships in its current form.

During the improved market situation in 2017, the introduction of client-supplier alliances has kicked off a positive trend in the market to foster a more sustainable business model. The vision for sustainable alliances started to gain traction already in 2018 and 2019, with examples such as the AkerBP and Subsea 7[9] / OneSubsea[10] alliance. In our case study, we will review Equinor and newly merged TechnipFMC as an example of how they could implement their vision for this type of partnership.

[6] Brent crude; Crude oil from the North Sea oilfields
[7] Covid-19; Infectious disease caused by a coronavirus
[8] OPEC; Organization of Petroleum Exporting Countries
[9] Subsea 7; A subsea engineering, construction and service company in the energy industry
[10] OneSubsea; A Schlumberger owned company offering subsea technology in the energy industry

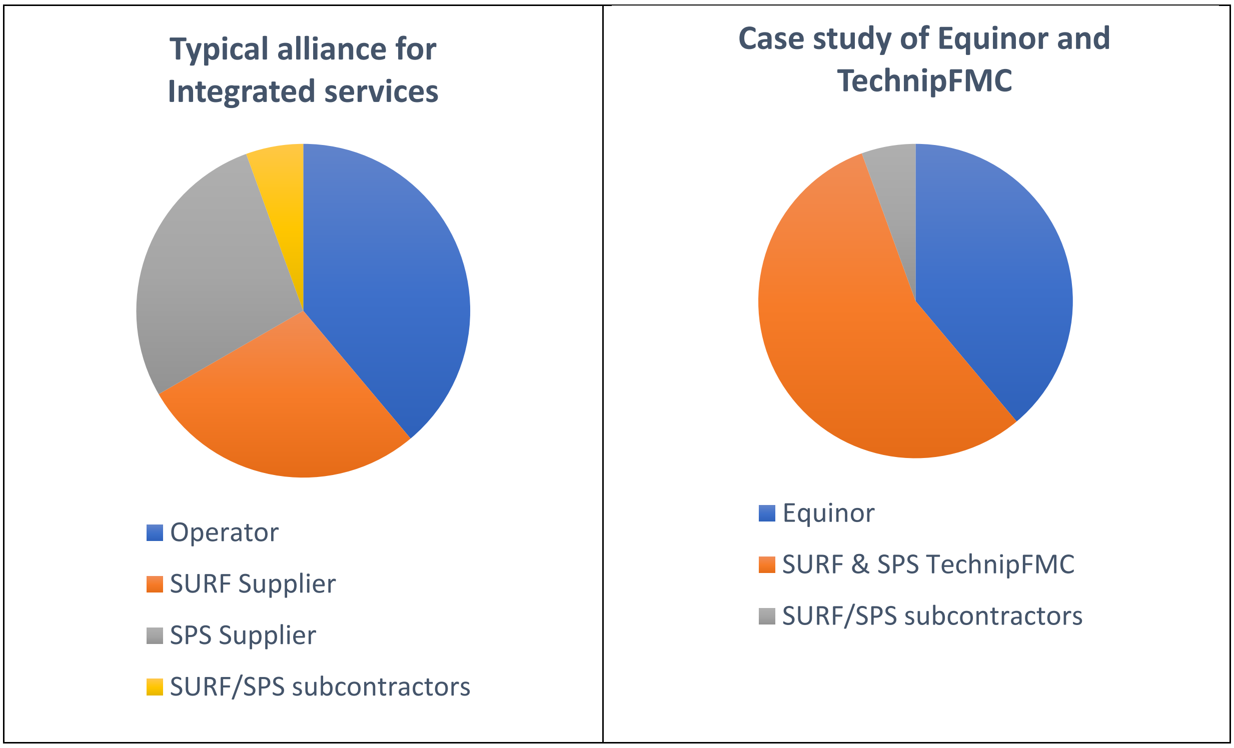

Figure 1 Example of integrated supply and Equinor and TechnipFMC case study

In Figure 1, the left figure is showing a typical contemporary alliance that will provide integrated supply to the operator. On the right, the case study of Equinor and TechnipFMC will show how integrated supply can be provided by the same supplier. From here we can see how Equinor and TechnipFMC would be set up in a typical relational partnership. In our case study, the supplier can undertake a larger portion of the scope than what is normally done in standard installation projects. The larger portion is called integrated deliveries, a combined scope that normally is outside of their standard portfolio of supply. This paper aims to discover how the concept of an alliance relationship would be enforced by Equinor and TechnipFMC in a case study.

1.1 Background

Many companies have changed their corporate strategies, formed supplier-supplier alliances, acquisitions have been completed and some even merged to strengthen their position. Some have managed to stay afloat, others have not. The oil and gas industry have been experimenting on how they can make the oil and gas production more efficient, and the topic of cost reduction has been the main driver for most oil and gas companies since 2014.

For many reasons aside from bringing down the cost of production, the oil and gas operators have found news to mitigate the risk of inefficiency when the next iceberg hits the industry. This can be interpreted as a subjective standpoint for keeping the resource base down to a minimum requirement, however it is an offensive strategy as the media are even speculating a third downfall to start in 2020, but perhaps not as brutal as in 2014. The result of the pandemic Covid-19 has already in March-April 2020 impacted the development to some extent, however not expected to impact the long-term relationships. The 2014 downfall being the second time the oil price has dropped significantly; the recovery is far too costly for the operators to deal with. Mitigating this risk is not easy and the crude oil price continues to stay out of balance. To take control of the oil price seems close to impossible, however the new trend of client-supplier alliance may help reshaping for what they believe can be a more sustainable way of doing business.

1.2 Thesis statement

A client-supplier strategic alliance relationship will show its nature and purpose if the parties manage to stay together for a longer period. After the last oil and gas downturn, the need for sustainable relationships has become more important. The philosophy of joining forces is not just to make more money, but also to grow stronger over time. This last part is considered a challenge and will most likely be debated in various settings. An interesting preview to our findings, the client-supplier alliance relationship has been defined by the supplier`s leadership informant in the beginning of the interview, “a new way of collaboration that aims to share risks and profits in the long run” (TechnipFMC, Q1).

We ask how one can ensure that the client and supplier will enforce the right tools to match the vision set for this alliance. The general idea of the alliance relationship is to have one system supplier to provide the full engineering, procurement, construction, installation and readiness for production. The “one-team” [11]philosophy includes the supplier and the operator in a joint team, physically working together with shared vision and values. The requirement for a production start date will give the system provider full power to assemble all subcontractors and joint ventures to take on the entire production field scope from A to Z. Having seen projects working out of an Alliance agreement, the operator and system

[11] One team; Equinor’s philosophy of working closely together with the supplier

provider are both aware of its past risks when contracting for new solutions, and how they have been carried out to service the operator`s end goal. The client and the supplier are working close to make sure that all risks are handled together, with a vision for long term partnership. The fundamentals of this thesis will provide a research on the following basis;

How can strategic alliance relationships be sustainable?

A case study on Equinor and TechnipFMC, showing how they can enforce the vision set for a client-supplier alliance

The predicted values for entering such alliance relationships is endorsed by both contracting parties in joint harmony to build an increased work scope over a longer period of time. This vision is planned carefully to allow for both parts to grow together as a team. The question is interesting because we have seen oil and gas operators and key system suppliers in long project-based collaborations with timelines of 10-20 years providing firm scopes, called Engineering, Procurement and Construction projects (EPC). The alliance would not only apply for one project, but over several new development projects with a vision to reshape how it will be sustainable. In our case study, we discover how the parties enforce this vision of how alliance relationships will be any different from former Engineering, Procurement, Construction and Installation projects (ECPI). We discover the relational aspect of client-supplier alliance relationship.

1.3 Thesis delimitation

Our thesis will provide research to review the sustainability of client-supplier alliance relationships. The baseline is a long-term partnership, and looking at volatility in the business, sustainability is what we are basing our thesis on. We will limit ourselves to opinions and directions from management representatives in each company, that can emphasize and explain how succeeding factors are implemented and how associated risks are mitigated. In this case study, we seek to discover the boundaries of sustainability which will set the standard of thesis.

We have narrowed the area of discovery to outsourcing of integrated services. These types of services are known to be larger and more varied in scope than the traditional EPCi contracts. In contrast to EPCi contracts, integrated services will combine more segments under one larger delivery. The typical alliance partners found in the oil and gas market today will show both vertical and horizontal partnerships, as we already have presented in Figure 1 in the introduction, however in our thesis we will look beyond these differences because we assume, they are in fair competition.

Outside our case study for Equinor and TechnipFMC, companies such as Neptune Energy and TechnipFMC or AkerBP and Subsea 7 with OneSubsea are the typical active alliance relationships in the market today. Our case study is limited to discovery of findings in the concept of alliance between Equinor and TechnipFMC, to enforce their vision set for sustainable partnerships. The Integrated supply will be SURF[12] and SPS[13] deliveries; Integrated Engineering, Procurement Construction and Installation (IEPCi), like other service providers.

Whether the integrated services are coming from partnering suppliers or one main supplier, our delimitation will capture integrated services as a whole and not the difference between these types of service providers. This is to show the current market situation (Figure 2) for an increased award of such deliveries (rystadenergy.com).

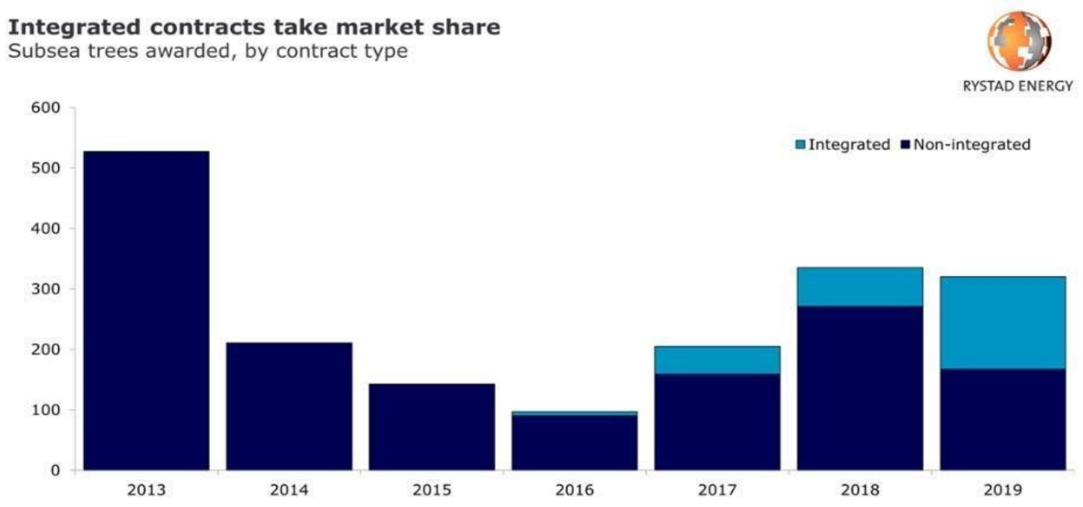

Figure 2 Integrated contracts take market share

[12] SURF; Subsea umbilical's, risers and flowlines
[13] SPS; Subsea Production systems

As the competition for integrated supply is growing, shown in statistics above from Rystad Energy[14] (rystadenergy.com), these services could potentially be captured under a strategic alliance. In our case study, the potential partners in an alliance agreement can build on this trend.

The vast amount of scope that can be undertaken in such an alliance, can be our strength as well as our weakness. The size of such partnerships can seem great; however, our weakness can be our roles in these large companies and reviewing only one case study to test our thesis. It is therefore important to mention that the thesis will identify the conceptual issue of sustainability with connected alliance pillars and selected theories, to be discussed how one may achieve sustainable alliance relationships.

1.4 The Layout of this Paper

This paper layout is presented in 6 sections to build our explorative study on strategic alliance partnerships, (Figure 3).

Figure 3 The layout of this paper

The introduction outlines the recent volatile market situation to show the context of why strategic alliance relationships are formed. The introduction will continue focusing on our case study and why we are aiming to explore the question of sustainability. This will show our thesis question, together with a delimitation.

The theory section will provide the theories that are used in the discussion section, for the sake of understanding and analyzing our case study. This section contains a conclusion of what theories we have chosen to bring further in our paper.

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[14] Rystad Energi; Independent oil and gas consulting services and business intelligence data firm

The methodology section will provide the understanding of how we proceed on our explorative path towards the analysis of our data findings and how we aim to use this for the discussion of our thesis. We have debuted the Equinor alliance pillars model, to show how we will proceed in the discussion section. The methodology will also provide an understanding of how we interpret the responses and how we perform the selection of our interviewees.

The results section will show a table of the data findings and are the initial objective interpretation and understanding of the data retrieved from the interviews. These are without prejudice towards our weakness of working in these companies.

The discussion section will contain our main argumentation as we are discovering how the strategic alliance can be sustainable. This is based on the Equinor alliance pillars model, discussing the five pillars for each selected theory in combination with the comparison of data from our interviews.

The conclusion will include the essence of the discussion section, to provide a shortened and final evaluation of how the companies of our case study can enforce the vision set for a sustainable client-supplier alliance relationship. The conclusion will also contain a final suggestion to our readers along with managerial advice to our case study participants and recommendation for further studies.

Referencing throughout this paper has been done by following APA 6th Edition.

2 Theory

In this chapter we will elaborate on the relevant theoretical framework that we have used to highlight various critical elements of the thesis question. The purpose of this section is to build a theoretical foundation for the empirical research that we have done in this master thesis. We will present transaction cost, contract governance, innovation, capabilities, trust and lastly change management. The various theoretical elements are critical both for understanding the complexity within the subject matter and further discussions that will follow based on our interviews.

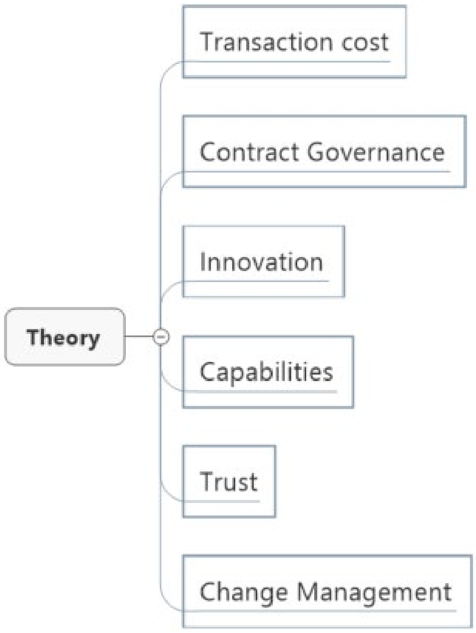

Figure 4 Theory selection

2.1 Transaction costs

"Simply stated, transaction costs are the costs of using the market to purchase goods and services" (Domberger 1998, p 60). Elaborating on Domberger's simple definition one can also define transaction cost as all the expenses accumulated in administering and writing contracts, negotiating over terms and contingent claims, deviating from optimal kinds of investments to increase dependence on a party or to stabilize a relationship, and administering a transaction (Williamson, 1995; Li, Qian & Qian, 2013). Contracts are a form of governance that should be used to reduce transaction costs to a minimum. A rule of thumb is that the more complex and intricate the contracts are, the higher transaction costs will be connected to the transaction. We can find two general assumptions in transaction cost theory according to Mayer and Argyres (2004). When one is designing and negotiating contracts agents are not able to see all the possible situations that can affect the business relationship between company and supplier. Secondly, they can identify the major contractual risks in the partnership.

One can also separate transaction cost within two categories, ex ante and ex post. Ex ante transaction cost is found before the contract is awarded. During the precontractual and contracting stage, one tries to get a clear picture of the transaction goal in order to award a contract, while ex post transaction costs arise during the contract execution and the post contractual stage when applicable (Benaroch, Lichtenstein & Fink, 2016). Ex post transaction costs are sometimes also related to controlling supplier performance and behavior by imposing monitoring on the partnership and in the coordination activities (Das & Teng, 1998).

Within transaction cost economics all economic activity centers around a transaction. A transaction can be classified as an exchange of service or goods between two or more actors in an economic transaction. In order to enhance and optimize that transaction, an ideal way of contractual governance must be matched to the nature of the transaction (Williamson, 1985). Within transaction cost economics we can find three governance mechanisms. Firstly, a market governance where price rules, secondly a type of intermediate governance where complex contracts and strategic alliances govern. Lastly the hierarchical governance where the managers govern within the boundaries of their own firm (Judge & Dooley, 2006).

According to transaction cost economics, we have two causes of economic hazards within the contractual relationship, opportunism and bounded rationality. The latter refers to the fact that economic partners are faced with an uncertain future combined with limited data and inadequate abilities to digest information from the partnership (Williamson, 1995). According to Williamson (1979), opportunism is a central concept in the study of transaction costs. This view is supported by Domberger (1998), where opportunistic behavior by the contracting party with greater bargaining power has emerged as one of the major costs of transacting. According to Judge and Dooley (2006), opportunism refers to the notion that there is a behavior between economic actors that primarily is oriented towards their own best interest. In this context they will also disregard the best interests of their partners if possible. Within strategic alliances hazards from opportunism may take many forms. On one hand a partner may be strategic in withholding critical resources or information from the alliance in order to protect its own core capabilities and competence. There might also be partners who are tempted to share substandard managerial resources and technology within the alliance (Judge & Dooley, 2006; Das & Teng, 2000). Efficient contract management will in this regard limit the room for opportunism and mechanisms must be put in place to avoid this, thus avoiding extensive transaction costs.

2.2 Contract governance

Domberger (1998) states that traditional relational contracts such as partnering contracts or other alliance contracts differ from the traditional agreements by being a wider and softer form. This is explained, “The agreement may be written down, but it is neither highly specific with respect to terms, nor legally binding.” (Domberger, 1998, p. 130). This is because of trust and rapid information transfer between each party. In contrast to legally enforceable contracts, relational contracts are therefore considered as “self-enforcing” (Domberger, 1998, p. 130). One could argue that this is lack of governance in a client-supplier alliance when trying to understand how the alliance works with key personnel in a joint team, one-team.

Thus, traditional alliance concept can be recognized if the outcome and delivery of the alliance are bound into a repeated game (Kay, 1993), the governance of a contemporary client-supplier alliance should enforce the contract mechanism and management of the contract itself. The parties trust that all involved personnel abide by this governance model to ensure quality in all steps of the delivery. In an alliance relationship, the chosen governance structures can be based on control or trust, according to Man and Roijakkers (2009), and further debated by other scholars such as Ghoshal and Moran (1996). The control view is an active and traditional governance structure that is set to prevent partners from abusing the alliance by exploiting any opportunistic possibilities. Based on adequate ownership and legal safeguards it keeps strict rules to be followed by the involved parties, which is why this tie into the concept of trust.

The governance structure in the strategic alliance can be known to be less specified compared to smaller and more traditional contracting methods. The close communication inside the one team proposes flexibility, creativity and closer cooperation to develop a close relationship with the involved parties (Weber & Mayer, 2011). The client empowers the subcontractors with ownership to the final product, including all associated risks of cost, quality and product development to gain cooperation and trust. This can be viewed as an autonomous way of contracting, and contract governance is vital to maintain quality in all steps of contracting.

Looking at relational governance, it has been argued by Poppo and Zenger (2002), that customized contracts are created to fight the battle of opportunistic behavior or other quality defects that can undermine the alliance. Their study was to explore a bridge between use of traditional contracts and relational governance as findings were discovered that managers tend to employ people with greater levels of norms. The need to achieve good quality in sourcing is to have a higher level of specifications in the contracts (Asmus & Griffin, 1993), which will take active part in the overall governance structure of the alliance. It was discovered that the complexity of the contract specification and relational governance within the team are both needed to perform well in a strategic alliance (Poppo & Zenger, 2002).

This means that the need for relational governance is key however the requirements for correct deliveries iterated in formal contracts is equally important to fight the negative battles of opportunistic behavior and gaining the trust that is required for the alliance to grow. As this is achieved, the closer the alliance partners will get as also seen in Japanese industries where closer supplier relationships are established (Dyer, Cho & Cgu, 1998). Domberger (1998) argues that relational contracts or so called `implicit` contracts will show more flexibility and are therefore no legal enforcement to apply for any rectification work that may arise. Instead, the relational governance will be open for closer monitoring to allow both parties to gain control and empower the vision for risk sharing by developing the scope together (Domberger, 1998).

The contemporary client-supplier alliance will develop under the one team philosophy to enforce both relational governance and contractual mechanisms in harmony.

In conjunction with performing scopes in the alliance relationship and keeping the governance structure intact, the contract mechanisms are mostly known for its dispute of resolutions or achieving remedy for the client (Domberger, 1998). The formal contract structure and its mechanisms are not just known for resolving disputes, but to govern the commercial aspect of the planned scope (Kaasen, 2006). Governance in all relationships needs to incorporate a base for contract governance, to ensure that all personnel involved are abiding by its formal structure. Åm and Heiberg (2014) argued that all partnerships will reduce the risk of uncertainty in the behavior if each partner is in line with a shaped set of conditions. As most conditions are with a commercial mindset and focus subject to be legally enforced (Kaasen, 2006), the conditions will portray the visions of governing risks of opportunistic behavior, poor quality, repeating non-conformances and frequent and unexplained variation work.

The commercial mindset will empower the incentives of the alliance, however, to detail specifications and dictate how the supplier can meet the goal (Weber & Mayer, 2011). Weber and Mayer also argued that the level of preventive contract methodology may lead to distrust and propose a substitute for relational governance. Gross and John (2003) argued this proposal against a more promotional way of contracting to embody the more positive incentives between the contracting parties. Knowing what to expect and reaching the common goals, formalized and agreed by each party can create positive emotions and higher levels of trust and motivation to gain the correct partner satisfaction (Gross & John, 2003). People in partnerships can be seen as a positive way of contracting when promotion or incentive-based conditions are enforcing collaboration (Galinsky, Leonardelli, Okhuysen & Mussweiler, 2005).

In other assessments of how success is achieved in alliance relationships, formal contracts may service the alliance as an agreement to collaborate. Further, the success is achieved primarily in the relational achievements as the parties are enforcing trust and loyalty that strengthens the `informal contract`. In an alliance relationship, in a bird's eye view it is all about people working together (Frankel, Schmitz Whipple & Frayer, 1996). Contracting relationships has also been explained this way, “Relationships between companies begin, grow and develop - or fail - much like relationships between people" (Kanter, 1994, p.98). It is further explained that the meaning of people's hopes, dreams, chemistry and relationships to form the alliance serving an overall goal. Such alliances, primarily between businesses to retain mutual clients, are built on trust and chemistry (Kanter, 1994). In all alliances these elements are key, however in a strategic customer-supplier alliance the need for contract governance is equally important (Poppo & Zenger, 2002).

The contract governance system addressing contractual theories presented by Knut Kaasen over the last two decades, will show the evolution of contract methodology presenting various types of contract mechanisms. This is not just for dispute resolutions, but also embedding commercial mechanisms, e.g. incentives and goals, and further awareness to enforce efficiency. This can help to make relationships closer as ethics and best practice will show good intentions for a trustworthy relationship. The mutual commitment to quality in all steps will show the increased efficiency and saved unnecessary overhead costs. This efficiency will empower trust and tie into reduction of transaction costs.

2.3 Innovation

Innovation is becoming a major part of contractual relationships compared to just a few years ago. While the purpose of innovation is to create new opportunities for companies, it has become more evident that for successful companies to adapt and evolve innovation is a key factor. As stated by Cohen and Levinthal (1990), innovation is defined as the application or utilization of external knowledge to generate new products or services. According to Goffre, Plaizier and Schade (2005), several major benchmarking studies identified that successful companies that commit to innovation with their suppliers in the early stages of the relationship will have a greater chance of success as innovation will be a driver through mechanisms in the contract that drive a common goal between supplier and purchasers.

There are several types of innovation, which can depend on the purpose of the innovation in question. According to Chesbrough and Teece (1996) we have both autonomous and systemic innovation. While autonomous innovation can be pursued independently from other types of innovation, the contrasting picture of systemic innovation can only be realized together with related complementary innovations.

It is vital to distinguish between systemic and autonomous innovation as this will be critical to the choice of organization design (Chesbrough & Teece, 1996; Sisaye & Birnberg, 2012). They highlight the importance of organizational design, as the decentralized approach or internal organization will bring different solutions. If a company chooses to focus on systemic innovation, all the different contractors depend on each other without having any control over the situation. On the other hand, when you have autonomous innovation, the decentralized virtual organization handles both commercialization and development well.

Chesbrough and Teece (1996) claim that systemic innovation often is complex, but still quite important when it comes to creating very valuable business breakthroughs. They claim that systemic innovation faces more management challenges when it comes to information exchange since systemic innovations require coordinated adjustment and sharing of information throughout the whole product system (Chesbrough & Teece, 1996). They further contest that centrally managed companies will create less conflicts of interest than loose uncontrolled partnerships. These conflicts can also hinder systemic innovation in the partnership. According to Sisaye and Birnberg (2012), autonomous innovation is typically limited to technological innovation. They are also very narrow in their impact, meaning that they can easily be implemented within a strategic alliance without requiring the massive change management activities that systemic innovations would require for the parties within the alliance (Sisaye & Birnberg, 2012). In recent years there has been a shift from closed to open innovation due to increased global competition and shifting markets. The traditional approach of closed innovation leverages internal research and internal design capabilities to innovate. While with open innovation this happens through the exchange of knowledge, capabilities and resources with other firms (Sisaye & Birnberg, 2012).

According to Goffre et al. (2005), firms who embrace open innovation are able to scale down internal research and development resources, while expanding the scope of their innovation activities. The fundamental logic of supplier innovation is that buyers wish to leverage suppliers' innovation capabilities (Dowlatshahi, 1998). Such capabilities will allow buying companies to develop new technologies, services and products. However, Dyer and Singh

(1998) claim that the value of a joint alliance will be significantly lower if the supplier is missing the relevant capabilities to drive innovation as a team. As a result, it is in the interest of the buyer that the suppliers invest in both improved operations and new technology in the partnership. The relational view claims that the capabilities and resources companies use to gain advantages in the market are not controlled and owned by the companies themselves (Dyer & Singh, 1998). Companies could gain so called relational rents by combining both capabilities and resources with their partners. As a result, by establishing these relationships with other companies, one might achieve greater innovation

2.4 Capabilities

Companies are respected and admired respond to the ever-changing customer needs or by their ability to innovate and adapt, not how they are structured or how they approach various elements within management. Those two elements are called organizational capabilities and are key intangible assets (Ulrich & Smallwood, 2004). These capabilities, the collective abilities, skills, and expertise of an organization are the result of long term investments in staffing, training, compensation, communication, and other human resources areas. They represent the foundation for work being accomplished by combining people and recourses. They create the personality and identity of the organization by defining what its strong sides are and what it is. Capabilities are stable over time and more difficult for competitors to copy than capital market access, product strategy, or technology (Ulrich & Smallwood, 2004).

According to Wang and Rajagopalan (2015), capabilities within an alliance influence the ability of firms to create and capture value through alliances. Alliance capabilities explain performance heterogeneities across alliances and across firms with alliance activities because such capabilities affect the causal mechanisms (i.e., value creation and value capture) through which organizational, environmental, and dyad specific attributes lead to superior or inferior performance. The crucial role of alliance capabilities was debated by Ireland, Hitt and Vaidyanath (2002), who argued that alliance management is a source of competitive advantage and holds a variety of functions, such as the ability to select the right partners and the ability to build social capital and trust based relationships. There are also several scholars who argue the importance of the alliance's ability to build trust and social capital in long term alliance partnerships (Man & Roijakkers, 2009; Weber & Mayer, 2011).

An alliance management capability is defined as the ability of a firm to capture knowledge and regarding alliance management, to share and store this knowledge and to utilize this knowledge in current ongoing and future alliances (Niesten & Jolink, 2015). Companies capture and accumulate competence about alliance management by using their experience with alliances and by translating this experience into knowledge. Through their experience with alliances, companies learn how to manage and deal with such arrangements, and they develop alliance management capabilities as a result of this process. Firms also develop alliance management capabilities by implementing structures and processes designed specifically for alliances, such as specialized departments, governance set up, training and evaluation procedures (Niesten & Jolink, 2015).

2.5 Trust

Trust is a `pre-condition` or a vital and key factor of successful business relationships, and the degree of trust and social capital will show how companies move from larger hierarchies to flexible networks of collaborative firms, (Fukuyama, 1995). In the context of contractual relationships, the problem of trust arises when the objectives of the contracting parties differ. Thus, creating fear of opportunistic behavior that only gains one party in the relationship (Domberger, 1998). Contractual relationships where there is little trust amongst the involved parties are fragile and prone to failure. Thus, there is every incentive between supplier and purchaser in a contractual relationship to both implement measures in the contract that try to avoid opportunistic behavior and implement goals that puts trust between parties as a way towards success.

Standard form contracts are a normal aspect of commercial relationships with the aim of lowering the transaction costs involved in the contracting process. Multifirm contract standardization can, according to Patterson (2010), provide not only the reduced transaction cost advantages of a standard form contract, but also increase competition and teamwork amongst the involved parties. Standardization of contracts has more benefits than just reducing transaction cost, it improves clarity, increases efficiency, innovation and productivity, reduces errors and sets the bar for quality.

When companies choose an alliance governance structure one can choose an approach based on control or on trust according to Man and Roijakkers (2009). Several researchers subscribing to the control view consider the relational risk to be high in strategic alliances since self-interested partners in the alliance are expected to show opportunistic behavior trying to maximize results for their own firm, rather than the alliance (Man & Roijakkers, 2009). The risk will vary depending on the circumstances, but opportunistic behavior of alliance members is likely in all alliance relationships. Therefore, this must be leveraged by a more formal form of governance that will prevent opportunistic behavior.

Control based governance models are based on legal and ownership safeguards such as equity investments, detailed contracts and very strict rules that limit any creative solutions for opportunistic behavior. While the control view is a governance structure that is set to prevent partners from abusing the alliance by exploiting any opportunistic possibilities. The trust view sees trust as a critical element in inter-firm alliance, thus creating trust as the main challenge in the alliance emphasizing the role of informal elements in the alliance governance structure (Man & Roijakkers, 2009). The underpinning idea of the trust approach is that when alliance partners are intrinsically motivated to achieve a positive outcome for the main goals of the alliance there will be less need for the formal controls set forth in the contract to prevent opportunistic behavior.

According to Weber and Mayer (2011), some scholars have argued that in attempting to mitigate threats from opportunistic behavior, formal contracts serve to foster distrust and bring the distinctive actions that they were designed to prevent. Today scholars' debate whether control and trust are complements or substitutes. Combining both mechanisms will allow alliance partners to manage complex relationships in a better way, (Man & Roijakkers, 2009). In this view control-based mechanisms, mutual hostage taking, and contracts all enhance trust within the strategic alliance. The combination will provide more streamlined behavior hence acting as a basis for closer collaboration. In contrast to this view, other scholars are arguing that both trust and control can be seen as substitutes where trust often replaces the formal control mechanisms. In this case, both trust and control are volatile mechanisms within contract governance and there are no preferences either option (Man & Roijakkers, 2009).

2.6 Change management

Change management has been defined as ‘the process of continually renewing an organization’s direction, structure, and capabilities to serve the ever-changing needs of external and internal customers (By, 2005). Organizational change comes in a wide variety of shapes and sizes, including fine tuning, incremental change, modular transformation and corporate transformation (Michel, Todnem By & Burnes, 2013). Organizational change has been defined as when an organization sets out to establish conditions that are different from the current conditions (Furst & Cable, 2008). According to Cawsey (2016), a broader definition is planned alterations of organizational components to improve the effectiveness of the organization. Commonly referred to by most, we have the idea that 70% of all change initiatives fail, although this is lacking empirical data, it shows that change initiatives are complex and still quite debated among scholars (Hughes, 2011; Burnes, 2011).

There are several different types of change theories, but Kurt Lewin's planned change and emergent change are the two main theories within the field of change management in (Burnes, 2004). Lewin's planned change theory emerged in the 1940´s, originally set out to resolve social conflict in society. Lewin quickly saw that his approach could be cascaded into organizations. In Burnes (2004), Lewin’s 4 models were viewed as a whole approach, rather than 4 separate models. Lewin saw the four concepts as forming an integrated approach to analyzing, understanding and bringing about change at the organizational, group and societal levels.

Secondly, the emergent change is a change theory that emerged in the 1980´s that sees change as a continuous process where organizations seek to align and re-align themselves to an unpredictable, many faced and rapidly changing environment (Burnes 1996). Lewin's planned change theory possesses a top down approach, while the more modern emergent theory has a bottom’s up approach. The key difference between the two consists of the fact that Lewin´s approach is more in line with achieving an ethical result, while emergent change could use manipulation and power that will undermine an ethical outcome of the change process (Burnes 2011; Burnes 2004). Although there is plenty of criticism regarding the lack of ethical dimensions in the emergent approach, one cannot exclude the fact that leaders still can use power and politics to achieve ethical outcomes during a change process

In the traditional change management view, leaders at the top of the hierarchy are taking business decisions impacting employees in change initiatives. All approaches to both leadership and change are connected by a set of ethical values that influence actions of leaders and the results or consequences of change initiatives, either positive or negative (Burnes & Jackson, 2011). Considering the recent struggles change management has faced, there may be a link between lack of ethical leadership and the poor results seen by many during changes, “Ethical leadership matters in the context of organizational change due to the need for followers to trust the integrity of their leaders” (Sharif & Scandura, 2014, p.185). For change initiatives to succeed, it is vital that leaders have the support of employees bringing forward change. Active involvement by employees in change, will outperform those who did not. Sharif and Scandura (2014) highlighted the importance of leader transparency and direct communication, reaffirming that the ethical values possessed by leaders, which contributed to the dedication and effort shown by employees, both increased behavior and performance.

2.7 Theory - Conclusions

Strategic alliance is defined as a relationship between firms in which they cooperate to produce more value at lower cost than what is possible in a market transaction (Lewis, 1995). Strategic alliances can develop into relationships where both parts want to achieve long term benefits and innovation based on mutually beneficial outcomes. This paper intends to have a look at the alliance pillars that are being implemented in Equinor’s new contracts. Elements such as long-term partnerships, the one team philosophy, culture, standardization and performance drivers, are pillars that have a fundamental place in these new contracts. How these elements combined with relevant theory, will be vital in seeing how the alliance relationships will build a strong sustainable foundation going forward.

Scholars such as Williamson (1979; 1985; 1995) and Domberger (1998) highlighted the broad specter of transaction cost, and where one might incur such costs when purchasing goods or services. Using contracts as a governance form to reduce transaction cost in both simple and complex contracts is a challenge in all contractual relationships. Complexity and size of the contracts will influence the transaction cost we incur. We can separate transaction costs within two categories, ex ante and ex post. While ex ante transaction costs are found before the contract award, ex post transaction costs arise during the contract execution and post contractual stage (Benaroch et al. 2016). How ex ante and ex post transaction costs influence the sustainability of the alliance relationships will be further elaborated in this paper. According to Judge and Dooley (2006), we can find three governance mechanisms within transaction cost economics. This paper will focus on intermediate governance where complex contracts and strategic alliances govern. However, this does not exclude elements from market governance or hierarchical governance. Domberger (1998) highlight the two economic hazards within the contractual relationship, opportunism and bounded reality. Both bounded reality and opportunism are vital elements in the strategic alliance concept brought forward in this paper.

Contract governance within an alliance relationship is as stated earlier in this paper a way of reducing transaction cost to a minimum. Traditionally the governance structure in strategic alliances has been known to be less specific compared to other contracting methods. Relational governance has been highlighted by Poppo and Zenger (2002) and Domberger (2006) arguing that relational governance is key in creating sustainable relationships. Going through the various elements in the strategic alliance pillars in this paper, we seek to understand how the chosen governance structure will influence the sustainability of the client - supplier alliance.

Studies have shown that alliance partners who commit to innovation in the earlier stages of the relationship will have a greater chance of success (Goffre et al. 2005). Although we have several types of innovation, this paper will focus on the difference between systemic and autonomous innovation and how this affects the long-term relationship between the parties. One might also distinguish innovation in an open or closed form, where scholars highlight the shift from closed to open innovation due to increased global competition and shifting markets (Goffre et al. 2005). The innovation focus between the contracting parties in this paper will be researched further, seeing how it affects both compensation formats and relational rents in the alliance.

Capabilities within an alliance influence the ability of the alliance partners to create and capture value (Wang & Rajagopalan, 2015). Niesten and Jolink (2015) also debates alliance management capabilities and the importance of a firm's ability to capture knowledge and utilizing this in future alliances. How companies manage to combine one's capabilities and optimize joint performance will be discussed further in this paper. We will also look at how firms adapt, capturing on the knowledge gained in the alliance while also highlighting some of the associated risks of capability optimization in an alliance.

Trust is a vital factor in successful business relationships. When referring to trust within contractual relationships, the problem of trust arises when there are different objectives within the relationship creating fear of opportunistic behavior (Domberger, 1998). Multifirm contract standardization is a tool to both reduce transaction cost, increase competition and teamwork amongst the relevant parties. Trust also relates to the chosen governance structure in an alliance where one can choose an approach based on trust or control. According to Man and Roijakkers (2009), a combination of both mechanisms will allow alliance partners to manage complex relationships in a better way. However, this is highly debated by other scholars. This paper will investigate how both mechanisms influence the sustainability of a client supplier alliance.

Organizational change can be defined as when organizations set out to establish conditions that are different from the current conditions (Furst & Cable 2008). For the alliance partners the new contract format in this paper is a substantial change. This will require change management on all levels from an organization's structure, direction, capabilities in order to support the new ways of working. How the alliance chooses to look at change, considering both planned and emergent change will set the direction for how change will influence the sustainability of the partnership. Highlighted by Burnes and Jackson (2011) and Sharif and Scandura (2014) change initiatives are closely related to how ethical leadership is performed in the context of change management. This paper will seek to find answers to the importance of change management in the context of the new strategic alliance contracts.

3 Method

In pursuit of discovering the data that we are seeking, we have chosen to conduct an explorative methodology with our selected companies in our case study, Equinor and TechnipFMC. This chapter will explain how the selection is performed, how data collection is achieved and how ultimately the research design is performed when processing our data. Looking back at our delimitation, our focus will be on the analytical object the alliance relationship between client and supplier, by assessing the findings from these two companies. The findings will provide a basis for our research when performing in-depth interviews with key leadership disciplines. The research will seek to discover what the pillars are, when the two companies enforce their vision for this type of relationship, thereafter, discovering how the alliance can be sustainable. The Alliance relationship will be the main focus when analyzing key features of the relationship, and when performing the argumentation that is outlined in our selected alliance pillars model.

3.1 Selection

“Stand on the shoulders of giants” is a motivator slogan found on Google scholar website (www.google.com), which in our case provides a direct metaphor - not only for our motivation, but of who we are approaching with interviews. Our research will be conducted on two giants such as Equinor and TechnipFMC. The selection of interviewees shall reside within the leadership teams of these companies, that represent the oil and gas client-supplier alliances that can be found in Norway.

We must consider the psychological aspect of who we approach, as we seek answers for high level management that could work for the alliance. Choosing empirical data from forerunners in other types of strategic alliance relations, will not capture the theory in its correct sense. The unbiased responses will be captured in how the questions are formed, as the concept is prescribed in a conceptual way. The selection is therefore systematic and considered to be a direct approach with various viewpoints of how an alliance should be. The anonymity will also provide an honest assessment, knowing that such collaboration is good for business in the longer term. The interviewees will then provide a more overall view of what the alliance can bring in the future, as well as discovering possible risks. We must expect that some of our interviewees may promote the alliance, and our search for unbiased responses may result in a more direct approach. Therefore, we have chosen to remain at a higher level in the leadership groups, and not in specific project details. Foote (1943), shows the ethnography on Italian street slums revealing the social structure, describing various groups and communities within the same district. Our case can be like this if we take the psychological aspect of smaller groups that are within our selection. As a result, we can find differences in opinion that are motivated by different agendas, and not the overall vision of the alliance. By going on a higher level, we may arguably reach a lower level of bias.

We take on a social prerequisite to overcome this possible biased deficit. The world looks more similar further apart in a more visionary approach. In smaller groups, the variance tends to shift and provoke change in direction of opinion. Further apart, our selection of interviewees can provide data that can be open for interpretation and viewpoints when discussing the various topics. Selection of mid-level and senior management will provide a higher approach; however, the fight of biased opinions will be targeted towards the "middle floor" of the companies.

Intersubjectivity, coming from the Latin word *Inter*; in between, used to describe the world how it appears to others than themselves, to include opinion and exact description of that world. The subjective standpoint can look towards other individuals in that setting or world to form an opinion, whilst comparing to themselves, the response itself will be more susceptible to- and formed by more experience. To verify such a response, we need to investigate the possible accomplishments and how they can be achieved in a correct way. For example, if in the event of a decommissioned project that is poorly executed with high transaction costs, unresolved non-conformance and vague or distant governance, this can lead to a response of questionably trust issues and poor commitment. Naturally, the opposite will neither be as truthful, which is where the biased opinion also resides.

It is playing both ends, in which we believe can be success dependent, or constrained by rephrased visions that are coming from a corporate level. We have conducted a more subjective view to advocate how sustainability is achieved, based on informants' personal experiences. This is done by involving senior level management with a more pragmatic view when viewing the philosophy of a company, and therefore provides less subjective viewpoints if looking towards newer horizons.

3.2 Data collection

Our data collection is outlined as the results of what we have managed to retrieve, showing below an overview of the data collection for this case study. The data collection is from Equinor and TechnipFMC as the main roles in this case study, to form opinions of what we will need to assess and underline when arguing for how they can be sustainable when engaging in an alliance relationship.

Data collection		
	Equinor	**TechnipFMC**
Interviews	5	3
Meetings	1	1
Internal presentation	1	0
Internal workshops	1	1

Table 1 Data collection

The data from Equinor has been received from the senior management team who has played a central role in developing the alliance relationships across the various work disciplines, such as for drilling, completion, seismic work and other. The data from TechnipFMC has been received from various managers that are representing the regional leadership group of Technip Norge AS, from departments such as project services, finance, engineering, execution and legal. TechnipFMC is working within the subsea discipline, being responsible for all subsea installation and connected well-head production systems. As a new discipline going forward towards an alliance, the data is senior management's view on the future relationship for such services. When extracting and reviewing the data from the interviews, internal presentations, workshops and meetings, the review will be done in the context of the alliance as the analytical object.

3.3 Research design

Our research design will provide an accurate explorative case study, based on the theoretical elements which we have identified as overall goals of the alliance relationship. The feedback returned from the interviewees will be processed through our argumentation. As we progress with our results with the exploratory findings, the research design is meant to target the alliance pillars model that will discuss the theories of sustainable alliance relationship.

Further down, we are presenting the alliance pillars model (Figure 5) to explore how the alliance could be, as a concept before initiation of a strategic alliance relationship between Equinor and TechnipFMC.

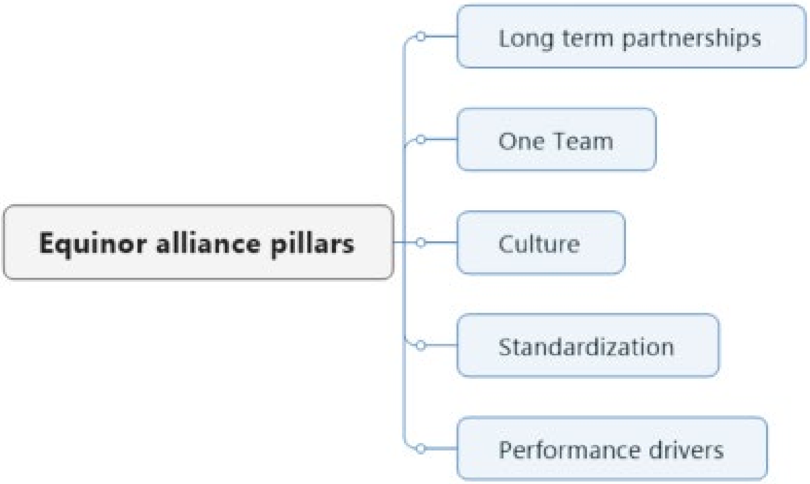

Figure 5 Equinor alliance pillars

In addition to the selected theories, the alliance pillars model will show tooling pillars of how Equinor would enforce the vision set for an alliance in general. The pillars will also represent the base elements when establishing the in-depth interview questionnaire and are explained below.

3.4 Strategic alliance pillars

These 5 pillars are the base of Equinor's intention to enforce their vision for alliance contracts, presented by the Equinor leadership team in November 2018, (Equinor presentation meeting, 2018). The pillars are fundamental in Equinor's current IDWS[15] contracts and will be the basis of future similar alliance contracts. These 5 pillars in Figure 5 will be discussed with the findings from our data collection, up against the selected theories, to ultimately prove the sustainability in the alliance relationship in our case study.

Long term partnership

The idea of long-term partnership lies within the backbone of any type of partnership that is expected to last longer than 5 years. The idea for long term partnership is shown how the alliance relationships can potentially grow and take direction, as the entire discussion itself would not be possible if the alliance was not intended for a longer period.

One team

The One team philosophy is what we have been presented from Equinor vision for the alliance relationships, with their existing IDWS drilling contracts. We have also seen the one team approach being used actively throughout the recent developments in the market, such as AkerBP[16] sitting together as a one team in the Subsea 7 offices at their location in Stavanger. The one team is the first recognition of the alliance, and the strongest and most noticeable way of enforcing this collaboration model.

Culture

Culture is a highlighted element from both case study participants, however initially part of Equinor`s vision for the alliance when emphasizing a no blame culture. The feedback led this to a higher level, capturing various elements of culture that would be necessary to enforce the vision of the alliance in a correct way. The need for a right culture in general is recognized and commented in many ways by the two companies, this ties into all the necessary theoretical principles that are needed to form a sustainable alliance. The culture will also link to one team and long-term partnership, as this would not only project the outcome of the alliance, but also as a prerequisite for any potential hurdles that could emerge.

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[15] IDWS; Integrated drilling and Well services
[16] AkerBP; Energy company developing oil and gas

Standardization

Standardization may be a known tool in the oil and gas industry to give various effects and outcomes. As this also is an Equinor methodology for any alliance, it has been shown to be more of an expected outcome as the term standardization is known to increase efficiency by seeing optimization of work procedures and gain a higher level of quality as an effect of repetitive work. On the other hand, a lot of work may not be repeatable, but enforcing this vision as part of working in a joint team, the various work scopes and contracting standards will see an optimization over a longer period of time as the team is growing their cultures together when working more efficiently.

Performance drivers

Equinor has recognized this as their backbone of the alliance contracting standards. This is a firm confirmation that the performance drivers are enforcing the mutual and shared benefits of the alliance. Not limited to this, the performance drivers will also enforce how both parties are considering risk and reward. This creates an interesting discussion for the supplier and the client on how they will expect to see the reward from the invested 'risk'. Performance drives will tie into the various pillars for long term partnerships when achieving a best performing culture, together in the joint team with the effort and goal to increase efficiency and quality.

Model

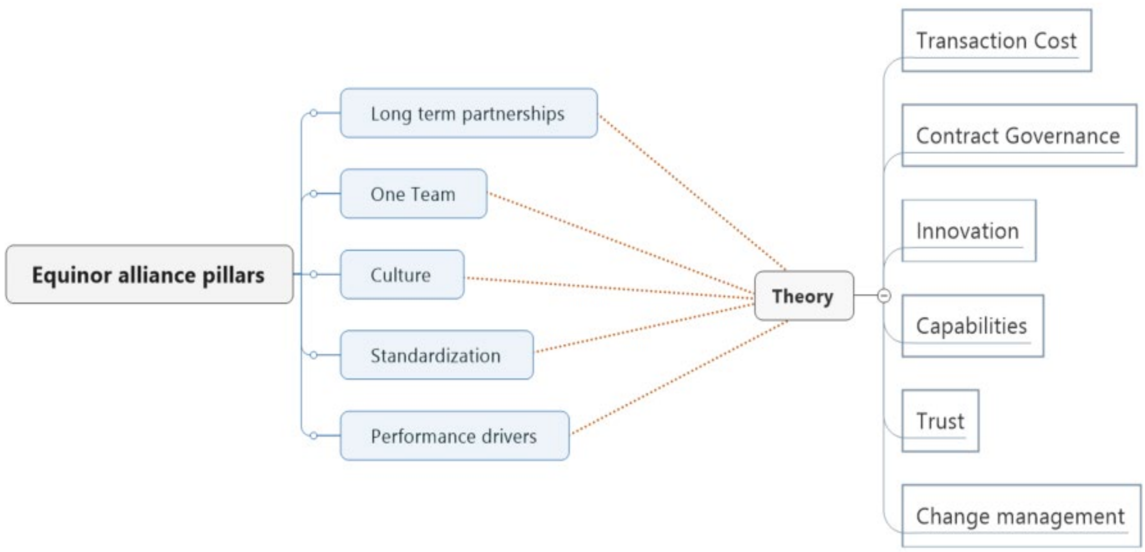

Figure 6 Equinor alliance pillars model

Each theory point as the model represents on the right column, will be discussed with all 5 alliance pillars to see if the alliance relationship in our case study could prove to be sustainable. This means that all the alliance pillars on the left column will be discussed differently, in the scenario of each theory point. The pillars will show that the strategic alliance consists of tooling instruments to achieve the main objective with this type of relationship, almost like a recipe. When analyzing the responses from the interviews, the concept of the alliance will be discussed and processed as something that can be done, not based on past or previous experiences. In this way, our data validation comes into its real nature as we see that each party is providing viewpoints on an alliance that is not formally initiated.

As Equinor has alliance relationships for supply of very different services, e.g. IDWS for drilling operations with rigs, the delimitation of having Integrated subsea services will make its debut in this case study. It is also from this viewpoint; the unbiased viewpoint is confirmed at senior management level and therefore our argumentation will have a very true effect and reflection to our alliance pillars model as presented above. This is how we can link this all together with the thesis statement in our paper, in an explorative way.

Knowing that our process is driven by the alliance pillars and theories as we have outlined, which are embedded in our alliance pillars model. This will help set the standard for how an alliance relationship should be and how it is expected to be based without any assessment on experience or quantitative empirical data. The unbiased viewpoints and opinions that we have managed to receive, will provide the correct and honest analysis that this discussion requires, and possibly prove that a relationship such as this one could potentially happen in the future.

Through our alliance pillars model, we are able to validate the data in a proper way when testing them through the pillars set from Equinor`s vision for sustainability and the curriculum theories. This is done through our selection of theories, data collection and arguments to support our statements. The processing of this qualitative data from the interviews, will be processed through method triangulation.

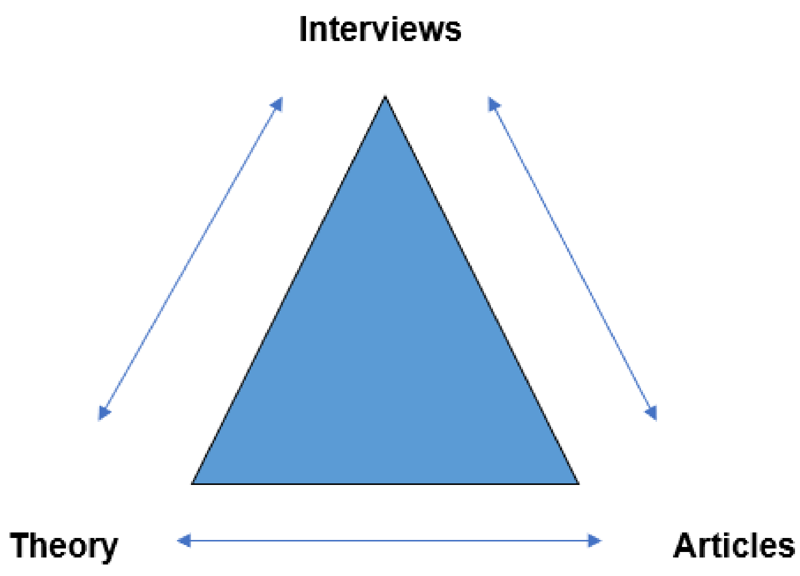

Figure 7 Method triangulation

The theory must be compliant with the outcome of the interviews in order to achieve the correct and best validation of our research. Article referencing to support the selected theories and observations e.g. minutes of meeting, case studies, workshops or similar, will need to comply with the data output from the interviews. The theories selected to support our argumentation will need to be coherent with the selection of articles and observations, to build evidence to our selected theories. This triangulation will also provide validation in addition to the alliance pillars model and support our way of performing argumentation of each pillar and theory.

4 Results

In this chapter we will provide the results and discussion accordingly, to provide argumentation for our thesis question, "*How can strategic alliance relationships be sustainable?".* The vision for alliance and what is needed to be enforced by both parties, will be shown in the responses from the interviews. The responses will show how they connect to the theories that we have chosen and further how these are cited and discussed with regards to our thesis question. The thesis questions are made from Equinor's pillars for enforcing their vision for this type of relationship, as presented in the alliance pillars model, and are all discussed towards each theory point with the data collection which we have received.

4.1 Summary of responses

Upon completion of the interviews, the responses are presented in a chart form shown below. This is meant to show the difference in responses between the two parties, with shortened sentences into small phrases. The phrases as seen in the below table are the interpretation of what the companies have responded in the interviews.

<table>
<tr><th></th><th>Equinor</th><th>TechnipFMC</th></tr>
<tr><td>Q1 - Why has Strategic alliances seen a resurgence in recent years within the oil and gas sector in Norway?</td><td>-Cost focus
-Cost efficient operations
-Change cost picture
-Generate more exploration
-Give more responsibility
-Impact consolidations in the industry
-Link compensation to results
-Give more scope to expect more efficient solutions
-Letting supplier optimize their scope</td><td>-Reduce cost
-Increase efficiency
-Strengthen partnerships
-Trend
-Risk management
-Sharing benefits
-Need proper partners</td></tr>
<tr><td>Q2 - What is the biggest challenge in transformin g the organization from the traditional governance</td><td>-Big organization to change
-Big management task (culture/documentation)
-Compliance to new contract formats
-Big cultural change, being able to trust the supplier
-Acceptance of standardized purchasing
-Time for supplier to build</td><td>-Not understanding and abiding the one-team vision
-Make ordinary employees trust each other
-Trust between parties
-Trust to intention of framework
-Embody open-book approach
-May be doubt in agreement model
-Standard issue, contractually with</td></tr>
</table>

model to the strategic alliance concept	competence for each scope -Look at the big picture -Going from small to big purchases -One team -Big culture change after long standing behavior -Many different cultures to change -Operationalizing great and fancy ideas -Getting people to understand change	execution -Lower level people may not be suited to work like this -Negativity at lower level, lack of understanding -Transparency and trust in development stage -Maybe hard to change people's mindset
Q3 - What measures have been put in place to ensure that the strategic alliance will have a chance to succeed?	-Internal marketing -Helping people get started -Management backing -Buy in from strategic stakeholders and management -Support from line managers -Strong contract framework -Framework is setup to help suppliers develop, and rebuilding other suppliers -Strong contract team -Contract people of operational teams -Give suppliers more playroom -Removing strict dictation -One team discussing needs, builds trust -Support from senior management -Standardize contract work, giving one-voice Equinor -Correct contract structure to ensure that both deliver	-Enforce trust -Get foreseeability to new projects, to empower trust -Defining one team and risk sharing at high level -Being able to supply a bigger scope -Integrated solutions; SURF and SPS, from the development stage -Being able to supply life of field servicing and subsea intervention -Having various different entities to complement scopes, e.g. multi phase meters (MPM)[17]
Q4 - How important is mutual trust in the governance model?	-Trust is vital -Internal and external trust -Contracts aligning common interests, i.e. compensation format -Safe and efficient operations -Establish supplier bonus incentives -Compensate on delivery -Supplier is trusted to freely choose its resources -Building trust is key as working towards same goal -Need to ensure that supplier is making money -Needs to mature -Incentives drives behavior	-Essential and key, like any marriage -Trust that we both abide by the framework as the foundation, is to believe in the business model -Change how we think when sharing of profit, responsibility and culpability -Ingrained in the framework -Trust in the model, showing that you believe in it -Show flexibility -One of the most important key -Must be linked to individuals, which work very differently

[17] MPM; Multi Phase Meters

	-Mutual trust is crucial -Trust that supplier acts and makes mutual beneficial decisions	-Will give courage to put everything on the table -Getting cost efficient solutions -Avoid old redundant systems
Q5 - What measures has been taken to ensure that the trust will grow in the partnership?	-One team approach, work closer together -Trust will grow at new ways of closer collaboration -Contracts team setup to increase communication, *"a one-voice Equinor"* -Ensure learning across the portfolios -Incentives, bonus from close collaboration -Share incentives, one team towards same excellence -Incentives to defeat opportunistic behavior -Supplier can get higher price to avoid loss -Stable and long term contracts team, with good personal skills -Both align interests and discuss pinpoints in different ways; open dialogue -One team model, with contracts team	-Trust shown through transparency, and this build more trust -Trust is essential -Trust to confidence in work -Abide by the contractual framework -Get to know each other through this work -Standardized methodologies -Building capacities at both ends -Have a high-performance organization -Feasible framework -Realistic common goals -No unnecessary commercial discussions, no defensive ways
Q6 - What consideratio ns has been taken with regards to increased quality and added value in this new format?	-Give suppliers more responsibility and trust, give increase value quality -Having models to ensure profits for that value -Compensation format -Incentives to reflect added value -time is money; help and motivate suppliers to be more efficient -Increase of quality -Let suppliers optimize operations -Give full scope, not bits and pieces, to expect added value to this model -Drive in compensation format and shared profits; win-win for aligned interests	-Co-exists dependently -Quality in all steps shows commitment -In accordance to the framework, give quality -Added value in terms of strengthening the alliance -Increased innovation -Quality for administration, safety and engineering combined with increased product quality; is added value! -New contractual format will add value -Collaboration method for us and subcontractors -Enforce client technical requirements

Q7 - What role has risk / reward played in assessing the benefits of this contractual format?	-Less supplier interfaces in quantity -Ensure one with all the responsibility -May get too dependent on suppliers, need to ensure capabilities -Ensure safe and environmentally friendly deliveries -Increase health, safety and environment quality (HSE)[18] -Faster deliveries -Bonus at completion, not necessarily faster -No cut corners, no partial deliveries -Compensation format to match our expectations (cornerstone) -Reward is important -Shared incentives will empower shared risk and reward	-Return of this investment can be shown in competence, improved procedures for admin and engineering. -Capability to invest in people can be a risk -Shared risks in late deliveries -Risk/reward needs to be in balance -Assessment of benefits -More spread risk -Find consistency -Playing the bigger role, not in small risk elements -Need buffer and float built into the compensation format -Focus on long terms relationship -Incentives for improvements, not only short term -Profitability in the long run -Target price vs not to exceed price, achieve fair risk return is a way of distributing reward.
Q8 - What role has transaction cost played in choosing a new contractual format?	-High at start when setting up these contracts -Long term focus, reduce these costs in the long run -Avoid heavy transaction cost in the long run -Mechanism in the contract to reduce transaction costs at both ends -New contracts are easier to follow-up -Simplified to reduce costs -Standardized to reduce costs -Shifting focus towards reduce transaction cost -Little negotiation on minor details will give a good effect	-Key to alliance, and mutual goal -One team can contribute to this for design review, concept engineering, studies, mobilization plans etc. -One team requires predetermined team, key players -Equal for both parties, balanced -Should have a system that records the saving -Intercompany savings to meet the alliance requirements
Q9 - How will shared incentives drive innovation?	-Bonus set up to drive innovation -Parameters for shared incentives -Improve efficiency by innovation -Technology cooperation to test new solutions without non-productive time (NPT)[19] risk	-Incentives can drive innovation, but also the other way around! -Innovation will drive incentives as pushing for higher technology -Alliance model will stimulate need for higher technology

[18] HSE; Health, Safety and Environment
[19] NPT; Non-productive time

	-"double edged sword" if supplier is not making good money -Promote new equipment -Innovation from big contracts -High reward for innovation, pushing hard -Allow for "playtime" with innovation -To be linked in common goals and shared incentives	-Securing future business -Main incentive driver should be more work, and this will drive innovation together -Share incentives are not driving innovation yet, but can contribute a great deal -Can be driven from incentives, but over time. -Reward for new technical solutions -New solutions to help gain profit for both parties
Q10 - How will standardization be affected?	-Contract teams with good communication skills -Look at learnings to make improvements -Important to reduce costs -Improve expected deliveries by having one supplier -Suppliers to standardize their portfolio, to optimize running time -Culture to think new, align the organization -Will push for big rewards -Engineers to take a big role -Suppliers to optimize cost and operation -Getting good at same way of working -Process and tools to enable optimization of operations	-Expected to be affected positively -A tool embodied in the alliance, not spin-off -Continuous repetition improve over time -Heavy impact on price on mobilizations -Will improve roll-over to next planned work -Keep requirements relatively similar -Is not key, but important for growth and quality -Repeating standards can be improved -Can win time, but ties into risk of third party deliveries -play a role making process more effective -Incorporate lessons learned -Improve quality as we progress with more work
Q11 - What added value will the one team collaboration give to the long-term partnership?	-Common goals based on trust an open dialogue -Joint effort to maximize value of operations -Joint effort to find new ways to improve -Essential. lead to safer and more efficient operations -Open dialogue and play on strengths in joint effort -Work as colleagues, not as separate companies -Disregarding opportunistic	-One team will drive efficiency -Have to believe in the model -Transfer of knowledge and resources -Today, it's a visionary plan -No value to this date, as this is premature -Working and sitting together will add value -In other scenarios, contractual disputes have been resolved much quicker around the table -No defensive way of working, aim

	behaviour resulting in optimal result -Cultures within each company will improve towards one team -Game changer, best of two worlds seen together. -Open and honest discussion outside contractual borders	to resolve any issues together -Will gain more efficiency -Reducing time factor, e.g. review cycles -Improved communication -Simplification when interfacing with each other -Build trust over time
Q12 - How will opportunistic behavior be affected by this new governance model?	-Shared profit will end opportunistic behavior -Depends on clarity in the contract -Assess new solutions together -Better control -Aligned incentives -Shared profits -Profits are higher in mutual goals	-Operator saves money, and supplier gains more work -No maximizing profits in the beginning -Investing in the alliance model -Framework to allow for fair adjustments -Mutual trust is key -Clear governance in the framework -Proper communication is needed -Culture will improve over time -Transparency will defeat opportunistic behavior
Q13 - The supplier has been given more responsibility; how will this affect the long-term partnership?	-Some suppliers think it is risky to have more, "*in line of fire*" -Over time, if they perform well, it will show the investment -Increase optimization -Increase capability -Improve internal processes and stock -positive effect for efficiency and trust -More Integrated -More one team and goal orientated -Develop core capabilities -Maximize cooperation	-More scope, stronger together -Can give too much dependence, and become unbalanced -Exit strategy must be clear -Has to correlate with results -Transparency will show an effect on partnership -100% control combined -Firm risk and reward mechanism -Increase supplier competence -Supplier needs to take on a bigger role in the value chain
Q14 - How will the strategic alliance affect quality of service delivered?	-More supplier control, more quality is expected -Framework is present to handle failure -Aligned incentives -One team -See continuous improvements -Remove fragmented deliveries will improve quality	-Higher quality from shared risks and incentives -Engineering in one team -Shared reward will drive quality -Variance is to be expected in all relationships -Cost and profitability will show in increased quality -Must stay true to the model, not deviate to old values -Mutual success, not individual

		success -Quality will show in carefully planned and engineered together
Q15 - What are the main risks with the strategic alliance concept?	-Like concept of marriage, long term risks -Losing inhouse competence -Risk of losing control over the supplier -Market disruption -Too much focus on cost, can bring down quality -In a marriage, we can fail to see new market opportunities -Risk of leaving out smaller companies -Losing market overview	-Late deliveries -Client exit strategy not clear -Costly to create the alliance organization if it doesn't bring fruits to the table -Individuals who are change resistant can impact quality -lack of trust -Unfair risk and reward -After first completions, some can get defensive
Q16 - How will strategic alliances affect capabilities within each company?	-Clear strategic vision -Obligation to authorities, retain enough competence for processes -Some to be transferred into strategic -Hard to replace suppliers -Internal competence may be lost -Build on strategic capabilities -Suppliers should be tech experts -Best if we "marry" a specialist -Will gain and lose capabilities, shared risk (change).	-It must be profitable to work -Challenge is that concept may be too big -Organizational culture is today far too distant and one team is essential!! -Success with people -Constant manning, not fluctuating -It will be its own ecosystem -As Japanese culture, equally depend on each other -Need to build capacity to execute the works -Will provide more foreseeable future for all -Tendering stress will be reduced
Q17 - Are there any positive surprises so far in strategic alliance that was unexpected?	-Dynamic organization to make this happen -Positive outcome so far, even better as time progresses -Its early, but surprisingly good efforts from suppliers -Very educational -Organization are maturing and susceptible to change	No experience, but it is about harvesting and collecting at both ends.
Q18 - Are there any elements in	-Performance contracts are not as fast as expected, but too soon to say for sure	No experience -Risks can be mitigated if governed in a friendly way

the strategic alliance that is not working as expected?	-Supplier culture is improving, maturing but a bit slowly -Our own culture is maturing slower than expected -Some suppliers are slowly moving away from their silos -Progress on development is moving a bit slowly	-People / employees need to open to this, coming from traditional way of contracting
Q19 - What have we learned so far?	-It's only been 1.5 years into this, so it's too soon to say. -Some cultures adapt more slowly -See vast potential of reducing transaction cost -Signs of performance are starting to show -Top level management attitude is critical factor to achieve success -Patience is required -Changing culture and behaviour will take time. -Never underestimate Importance of companies' cultures in a big change	No experience
Q20 - Are there any areas that require adjustments based on the experience so far?	-Some confusion with ongoing old contracts in parallel -Have strengthened incentives to show 100% backing of these mechanisms -Focus on collaboration in optimizing the contracts	No experience
Q21 - Are there any things you would like to add that we have not covered during the questions?	-Should have focus on gradual implementation of these contracts -Avoid silo culture -Big organization, change is not easy -" *hidden*" costs when transitioning from old contracts, e.g. offshore crews	No experience

Table 2 Summary of responses

5 Discussion

As a guide to further reading, the six theory points that are represented in the alliance pillars model will be discussed separately. The argumentation for each theory will be based on discussing the five alliance pillars, as shown in the figure below. When doing so, the viewpoints and data from the interviews will be compared to each other. With this data, each theory point will be reviewed based on the five pillars that are considered vital tools for enforcing the vision set for sustainable alliance relationships. When reviewing the case study participants citations, they will be referenced to the questionnaire responses, marked from Q1 to Q21.

Trust	Governance	Transaction cost	Innovation	Capabilities	Change management
•Long term partnership •One Team •Culture •Standardization •Performance drivers	•Long term partnership •One Team •Culture •Standardization •Performance drivers	•Long term partnership •One Team •Culture •Standardization •Performance drivers	•Long term partnership •One Team •Culture •Standardization •Performance drivers	•Long term partnership •One Team •Culture •Standardization •Performance drivers	•Long term partnership •One Team •Culture •Standardization •Performance drivers

Figure 8 Discussion build up

5.1 Trust

5.1.1 Long term partnership

It has been argued that trust and social capabilities are essential keys when engaging a new alliance relationship, moving from larger hierarchies to more flexible and collaborative ways of doing business, (Fukuyama, 1995). The perspective and tool when planning for long term partnerships requires mutual trust from both parties. According to Equinor and TechnipFMC, they would need to place trust in each other when going forward. Equinor has said in their interview that they will need to trust the supplier to complete the scope of work as intended. Equally, TechnipFMC has mentioned that they would need to trust the client to honor the intention of the framework. This may result from a long period of dictating from the client, where mutual trust may not have been a main focus. In pursuit of a long-term partnership, the effect of close collaboration can show more transparency over time as a potential trust builder. Equinor envisions buildup of trust to plan for the long-term partnership as vital, as trust will grow in new ways of closer collaboration. That does not mean to say that trust is automatically sustained, as mechanisms are actively put into the contract to build trust over time:

> When there has been a need for improvements and adjustments in the contract with the supplier, we have discussed this openly ensuring that they sometimes get a higher price to avoid losses. This helps build trust. (Equinor, Q5)

As both parties may have a different viewpoint on how trust is achieved for the concept of long-term relationships, trust must be grown over time to be sustainable. The element of having incentive mechanisms presented by Equinor is supported by Man and Roijakkers (2009) and various other scholars, as trust is considered critical in an inter-firm alliance, the use of both mechanisms will help manage complex relationships over time.

5.1.2 One team

The vision for the One team philosophy is presented by Equinor as one of the most consistent tools and pillars for achieving trust in client-supplier alliance relationships. The concept of One team is also supported by the supplier as it will possibly help drive efficiency and create shared value when working together, "The relationship will aim to provide a transfer of knowledge and resources" (TechnipFMC, Q11). On the client side, Equinor is seeing great effects of the one team philosophy, while the supplier currently states that it is only a concept. Further the concept is supported by the supplier that it will help to work towards the same objective, "When working towards the main objective, the project will aim for success collectively. This would embody the alliance concept" (TechnipFMC, Q11). For building and gaining trust, it can be achieved through open and honest dialogue around the table, "without contractual borders" (Equinor, Q11).

When reviewing Weber and Mayer (2011) and their argument for formal contracts that can foster distrust instead of building trust as their intended design, the one team philosophy can help mitigate this. In different circumstances, if the cultures are not mature enough, they can appear defensive in event of contractual disputes. TechnipFMC would have first-hand experience in seeing how that may create an environment that can have trust thrown out of the window.

The client and supplier will need to be linked together, "able to resolve and address them without ending up defending themselves" (TechnipFMC, Q11). Multifirm contract standardization will help in increasing competition and teamwork, as well as clarity and focus on the task at hand (Patterson, 2010). This is seen in Equinor's contracts with service companies such as Halliburton, Schlumberger and Baker Hughes:

> We also see learning and adjustments across the contract's portfolio, meaning that if we have an adjustment to one contract, we change the others as well. Ensuring that we are fully aligned across partners and internally. (Equinor, Q20)

Equinor claims that the combination of having a detailed framework with trust in the middle, we achieve less opportunistic behavior among the one team as this is mitigated by having new compensation formats with shared incentives. The One team will also be more efficient when working together in one location, e.g. faster review cycles, quicker decisions with increased communication when things are more standardized, "This will build trust over time" (TechnipFMC, Q11).

5.1.3 Culture

Having the right culture for the client-supplier alliance is considered not just as a success factor, but a defined requirement to make the alliance work. As Equinor has seen a rather slow development since the kick-off on these alliance relationships, it may be one of the most difficult things to develop. Equinor sees this change of culture as "massive" when going from "buying nuts and bolts to a whole delivery" (Equinor, Q2). TechnipFMC responds to this by wanting to aim for a high-performance culture. This is something they want to prove to the clients, as this is essential to build trust. This is also supported by their project services department, in defeating opportunistic behavior, “changed cultures will merge with each other. This is because transparency and trust will build in the alliance” (TechnipFMC, Q12).

On the other hand, when Man and Roijakkers (2009) argued that control-based mechanisms can increase trust due to more streamlined ways of working together, this may be interpreted as one of few cultures that Equinor and TechnipFMC would try to move away from. This is because Equinor has stated in the interviews that they have various cultures within the company that needs changing. This is shared by TechnipFMC who sees the same type of variance in cultures with different workers on different levels that will have to trust that they abide by the new framework and make them trust each other in the process, like in any marriage. Comparing this to Man and Roijakkers (2009) on achieving more streamlined ways of working, and with the mutual attitude and understanding from Equinor and TechnipFMC, they share the intention of building one successful culture to enforce trust in the alliance. This has been one of the biggest changes Equinor has seen so far.

5.1.4 Standardization

Based on our findings from the interviews, standardization is considered as a tool to build trust and reduce cost rather than an effect of the alliance. This is also embedded in the “one voice Equinor” (Equinor, Q3), portrayed vision for correct communication in the one team philosophy. As previously argued by Patterson (2010), standardization of contracts can produce clarity and focus to increase teamwork within one team, a standardized contracts format may also reduce transaction cost, increase innovation and productivity. These are all trust builders when arguing for our analytical object of this case study. The alliance relationship builds trust on these joint efforts to maximize efficiency of operations and find new ways to improve operations according to Equinor. It seems that Equinor includes all these elements in their expectation for building trust.

Standardization will tie into these elements being part of a repetitive cycle that will enable trust to be built over time. TechnipFMC has said in their interview that continuous repetition will improve operations over time, give a positive impact over time as both parties are trusted to comply and abide by the framework. It can improve roll-over to the next planned work, but it can also be a serious threat if the client's expectations are too high, knowing that standardization is "a tool embodied in the alliance" (TechnipFMC, Q10).

The viewpoint of Patterson (2010), may also be interpreted as an outcome rather than a planned tool, which in that case the alliance would not work properly. This is because standardization will show trust on the client side to keep technical requirements similar to each project, in order to grow quality in the right direction. TechnipFMC has said in their interview that it is important to incorporate lessons learned, and further is supported by Equinor. The intention of standardization to be one of the trust builders of the alliance, will show its true form when both parties share the same understanding of what standardization can achieve. That is the reason why standardization ties into all these elements when reviewing the performance of the alliance in the future.

5.1.5 Performance drivers

Equinor has been very clear on emphasizing reward mechanisms on incentives for achieving good results in the alliance relationship, "The cornerstone for us has been that we want the compensation format to match our expected delivery from the suppliers" (Equinor, Q7). Parts of this are equally appreciated on the supplier side, however their expectation leans more towards having a buffer and float built into the contracting method. The direction risk and reward are taking, is interesting as the supplier states that there should be an emphasis on understanding the risk and how this is spread across both parties, not on just one party. "In reality, the reasoning behind this is to find consistency" (TechnipFMC, Q7).

If the contracting parties differ, the fear of reward only showing on one side of the collaboration, it will bring fear of opportunistic behavior amongst the contracting parties, (Domberger 1998). Thus, incentives can be built into the contracting method in a proper and equal way. It should be done so to avoid opportunistic behavior and setting the correct basis for mutual trust in the relationship. This is what TechnipFMC is stating in terms of consistency and it is supported by Equinor`s vision for risk and reward. Knowing that the parties are in full trust on this base topic, risk and reward can go even further towards a way of making sure the supplier is not cutting corners and delivering as promised, according to Equinor.

Knowing that both client and supplier endorse and share a basic understanding of trust in the model, this is viewed differently at the supplier`s end, where they say that “the reward doesn't necessarily need to come as a bonus for planned deliveries, but a reward in form of continuing award of scope” (TechnipFMC, Q13). They further state that the target price vs not to exceed price is one thing, however, to stay onboard for future work is the most important factor. An example of this would be to collectively mitigate the risk of late deliveries within TechnipFMC entities, e.g. late fabrication forces vessels to wait. Both companies can equally share such risks by planning the incentives together, however the supplier will consider the real reward to be awarded more work in the future, “The investment-risk, is shown in our capability to invest in people for the purpose of getting more work under the same contract” (TechnipFMC, Q7).

Equinor`s cornerstone for rewarding bonus on completion may be outweighed by the supplier`s trust in the vision of the alliance model, looking at the bigger picture. The real reward for the supplier is getting more work, not just bonuses alone. However, it must be said that this will vary depending on the contracts in question. This can tie into fear of opportunistic behavior (Domberger, 1998), because if TechnipFMC would be cast aside due to an unfortunate late delivery, the real threat would lie in losing future business.

The investment made by the supplier in people and capabilities thereof, would be lost reward i.e. lost return of revenue. If the client would be tempted to test out the market for others to finish the job, such actions would be very hurtful for the aspect of mutual trust. In contrast to this, if rectification work or measures are planned out together in the one team for reassurance of planned goals, this would itself be proof of trust in the model as both parties have stated that lessons learned are essential to the collaboration.

5.2 Governance

5.2.1 Long term partnership

Contract governance in strategic alliance relationships has in general been wider, however with specific detailing in the compensation format. This is argued by Domberger (1998) as he believes alliance contracts are softer and wider, written as you would expect but "neither highly specific with respect to terms" (Domberger, 1998, p.130). The new alliance working as a closed entity together, the long-term perspective will support this argument as details of scope development and ongoing engineering is performed collectively (Domberger, 1998). When looking at our alliance pillars model, the aspect of long-term relationship is considered a tool when reviewing how the parties would enter a client-supplier alliance. This ties into how the parties expect the governance structure to be, as a "strong contract is needed", stated by Equinor. This may seem as a contraction to Domberger's (1998) statement for less consideration to terms, but the contract is not intended to resolve disputes.

The aspect of the alliance is long-term; therefore, the governing structure is tied into the commercial mechanisms of the contract, "We are also not blind; we also need to ensure that the supplier is making money for this to work" (Equinor, Q4). The mechanisms that are redesigned, are made for the longer duration relationships with enablers of commercial aspects to ensure sustainability in the long run. This also ties into the theory of trust, as both parties have to build trust in this model, showing that it works for both parties for the long run.

The concept of contract governance shall either be enforced by the concept of control or trust, which was debated by various scholars such as Man and Roijakkers, Williamson and Ghoshal and Moran in other papers. In contrast to this separation of control and trust, we have found in our research that it will require both control and trust to make long-term relationships work. This is enforced by Equinor to have a correct contract structure to make sure that both deliver, together. Equinor elaborates on control with focus on commercial bonuses as a trust builder. Therefore, trust is connected to the aspect of long-term relationships, knowing that TechnipFMC is convinced that if you stay true to the governance model and not deviate towards old values, the long-term relationship will grow.

The interpretation of Domberger's (1998) viewpoint on wider contracts can in this case be considered to support the long-term aspect tool for succeeding in alliance relationship where older values as TechnipFMC fears, are the very culture that Equinor wants to deviate from, "removing the strict dictation in how we do things" (Equinor, Q3). Doing so, this will prove that the aspect of long-term relationship works with the correct governance structure that is specifically designed to last over longer periods of time.

5.2.2 One team

When looking towards the tool for one team through the theory of governance, the vision that Equinor has presented, has been said to require a firm contract setup, however more in the direction of helping people get started. The argument for more customized contracts to battle opportunistic behavior was studied closer by Poppo and Zenger (2002), with findings that there must be a bridge between specific contracts and relational governance. Doing so, the line managers had been employing people with a greater level of norms (Poppo & Zenger, 2002). This said, each party needs to ensure that the people are connected to the vision of the one team approach, making them fit for this purpose and way of working. This is supported by the supplier, "This predetermined team would have to require a careful selection process for key positions" (TechnipFMC, Q8).

The supplier further states that not all are made to work in this way, knowing the traditional governing structure has been known to be a dictating type of governance. Knowing that the governing structure is more commercially enabled for completion of projects, the One team must mature in the sense of being more open, "undergo the general or basic give-and-take principles of a partnership" (TechnipFMC, Q8). Having a one team with a fine balance between contract specifications and relational governance, are both needed to perform well in an alliance (Poppo & Zenger, 2002), which concludes that these elements cannot be considered as separate items. Both contractual and relational governance combined in a one team philosophy, is supported by both parties and confirmed within our theory.

5.2.3 Culture

When reviewing the requirement for having the right culture in this type of governance, this will very much tie into the concept of one team that is envisioned by Equinor. This means that the requirement for achieving a combination of contractual and relational governance as per findings of Poppo and Zenger (2002), would in our case study require a matured culture to make this feasible. This intention is stated by Equinor, "going forward as the cultures within each company improves and matures in the new way of working" (Equinor, Q9). For the supplier's sake, the one team vision is also applicable when reviewing the governance, where the framework can be broken down into escalation mechanisms, "a way of communicating concerns" (TechnipFMC, Q12).

It has also been argued that having more detailed specifications present in the contract, would result in higher quality of the delivery to the client as this governance structure would take more active part in the alliance, (Asmus & Griffin, 1993). As we have reviewed and discussed for trust, on how a more combined control and trust is a better way, the culture that is required to perform this way of working is the need for closer partnerships in general and "proper partners" (TechnipFMC, Q1).

5.2.4 Standardization

Standardization in contract governance is a central topic and has been discussed when working in a joint team, it will enforce the alliance concept if deliveries are shown to be part of a repeated system, (Kay, 1993). The contract governance will show standardized mechanisms to enforce the various tools and theories that are expected to help grow and strengthen the partnership. This is supported by Equinor as standardization across various contracts will result in less negotiations to minor details. TechnipFMC also supports this because the focus on minor commercial details will defer from one of the main objectives of the alliance, which is the concept of continuous repetition to help improve quality over time. As the contract governance will capture these learnings, there will be no need for minor discussions. On the other hand, the possible deficit of expecting the contract to secure the principle of standardization, it would have to be enforced by the employees.

Working together, developing and building the elements of an alliance is much like a marriage, (Kanter, 1994). As we know in marriages, this can be equally positive as well as negative. Knowing the requirement for proper governance is required, i.e. “strong contracts" (Equinor, Q3), standardization can help individuals work closer together. Further, Equinor states that it relates to culture where the increase of standardized governance will stop the client to “shop around for new and fancy equipment that are overqualified” (Equinor, Q10). Knowing that the governance structure is solid and empowering the intentions of the relationship, standardization will help suppliers improve and gain more ability to be awarded new contracts.

5.2.5 Performance drivers

When looking at performance drivers as a tool within contract governance, it will show how the mechanisms are enforced by the client. This will specifically be for commercial mechanisms, enabling the bonus schemes for successful deliveries. Equinor has already stated that this reward mechanism is a cornerstone for the company for expected deliveries from the suppliers. When reviewing this way of enforcing reward in the contract governance, the principle of partnerships may reduce risk of uncertainty if both parties are behaving in line with the shaped set of conditions (Åm & Heiberg, 2014). In this view, the client may think that the risk of faulty delivery will be reduced, however this could be interpreted differently at the supplier side.

The supplier`s understanding of the vision includes not just bonus schemes or reward schemes, but the reward of more work in the future. To find a way to build this principle into the governance part of the alliance, TechnipFMC further elaborates that providing visibility to more work can be done by having a schedule for connected and upcoming work orders e.g. starting with a concept study, then front end engineering design (FEED[20]) study, progressing further to early procurement package, and finally plan for installation of the systems. This visibility will provide the most significant reward, which is the return of the investment in employees to build the concept of the alliance, much similar when arguing for trust.

[20] FEED; Front End Engineering Design

In contrast to Equinor`s cornerstone for enabling commercial incentives in the governance structure, the supplier expects similarity in the current and future frame agreements where performance drivers are “applicable regulations, escalation mechanisms and incentives.” (TechnipFMC, Q2). When reviewing the risk and reward for contract governance, the direction this argument is taking, leads towards a more promotional way of contracting. This contracting method would consist of more incentives as mutual goals were outlined, formalized and agreed by both parties to create higher levels of trust and motivation for gaining the right partner satisfaction (Gross & John, 2003). This argument is supported in TechnipFMC`s interview, that a more sustainable governance and contracting method can be reached if the reward is returned with more scope of supply for the future, not just bonus incentives. Equally, the client would at the end gain a partner that they can count on - not just for the short-term payout, but a sustainable long-term partnership.

5.3 Transaction cost

5.3.1 Long term partnership

Transaction cost is a significant topic when introducing the concept of client-supplier alliance relationships. Whether the parties are in an alliance or not, the shared goal of all parties is to reduce transaction costs where possible. Domberger (1998) explained this definition as the cost of making a transaction of outsourcing. Both TechnipFMC and Equinor have confirmed in their interviews to be one of the main goals why alliance contracts were introduced. The overhead costs that are in reference, are for creating contracts, negotiating over terms and contingent claims (Williamson, 1995; Li et al., 2013). When reviewing the long-term partnership on the theory of transaction cost, the accumulated savings that are to be expected will have a large significance to the client, “designing the format in such a way that we over time will have a large effect on transaction cost” (Equinor, Q8).

Equinor further describes that the long-term aspect of having these contracts is important knowing the savings will come over time. The supplier provided a similar response to the same question, that the saving of transaction costs is what the companies in this industry is aiming for, and presumably to be “one of the main drivers of this adventure” (TechnipFMC, Q8). As we see a united understanding on this topic, the driving factors may be somewhat different. For the client, the savings of transaction costs will be considered substantial in the long run with fewer suppliers taking part in the overall delivery. The supplier may to agree to this presumption but has mentioned in their interview that they do not have the experience to confirm that the transaction costs would be saved to the same extent.

In the view of the supplier, the urge to show and present the savings related to transaction cost is a clear signal of the need to gain trust building on the strategic alliance pillars. The view of transparency will anchor the principle of long-term relationship into the theory of trust. This is mentioned by the supplier in their interview, that ex post transaction costs can culminate at the stage of execution. It was also argued by Benaroch et al. (2016) when reviewing ex ante post i.e. transaction costs prior to execution, the rise of unwanted costs during the execution phase may cause a negative impact to the long-term relationship. This can build on Equinor’s expectation for not having too much saving in the beginning of the alliance. If the ex post savings were to be visible straight away, it would probably not be good for either party as the long-term partnership takes time to grow. The client may take a more realistic approach by viewing the bigger picture, by expecting transaction cost to show its true saving over a longer period - not at execution.

5.3.2 One team

Transaction costs in the one team philosophy are the savings of efficiency between employees, as the vision for one team puts everyone in the same office. The one team is considered by both parties to be an active tool to save money, putting heads together to achieve savings on efficiency for design reviews, engineering studies, mobilization plans and more. Aside from building trust from each other, the one team will enable each party to work closer together, which has been mentioned by Equinor in their interview, may be their biggest expectation for this type of partnership. Naturally one would think that the one team can increase efficiency, which is an apparent expectation at both parties. One might also say that the complexity of the contract itself may be a different scenario when working in one team.

As we aim to reduce transaction cost, the use of intricate and complex contracts can contribute to increased transaction costs (Mayer & Argyres, 2014). Transaction costs may be reduced in form of overhead costs when having less administration for the joint team, moving forward with more efficiency. However, the contract mechanism itself will have to be dealt with throughout the lifecycle of the project. The contract would have to be designed in such a way that it will capture most of the possible situations of the partnership, if not the partnership may be subject to a higher risk (Mayer & Argyres, 2014).

Prior to engaging into the new strategic alliance contracts with the supplier market, Equinor has experienced high transaction costs in the design phase. This ties back to the long-term principle of having a strategic alliance that can be sustainable over time, as the invested time for making this work is planned to be enforced within the one team. Naturally this brings together the human factors in the relationship such as culture and trust, as the transaction costs within the alliance should be reduced with the one team philosophy.

In contrast to Mayer and Argyres (2014), in order to optimize the transaction, the contractual governance must be reviewed and assessed with the nature of this transaction (Williamson, 1985). The one team approach will need to have constant manning and a long-term focus to work together, "It all depends on the collaboration, almost as its own ecosystem", (TechnipFMC, Q16). Therefore, the one team may be expected to gain traction for reducing transaction costs.

5.3.3 Culture

As the client is expecting transaction cost to be reduced in the future, it sets a specific requirement for a culture. The culture captures almost everything about the alliance, because it is really about the individuals working together according to TechnipFMC. Possibly, the more effective they are working together, the more transaction costs are expected to be reduced. Equinor has previously stated that the cultures are difficult to change and has taken more time than anticipated. TechnipFMC have mentioned that the culture will need a transition phase. This would perhaps reduce hope of achieving reduced transaction costs, but it can be mitigated by a best performing team mentality.

It is argued that opportunism may occur if both parties only work towards their own interest

(Judge & Dooley, 2006). This would be in contrast to Equinor's expectation for reduced transaction costs, because the culture itself will aim to satisfy the interest of both companies. If not, they could for example withhold critical information from each other or inventions e.g. transferrable intellectual properties or other, and not honoring the vision of the alliance. The best performing culture as TechnipFMC has previously mentioned, needs to be embodied in the partnership, with the right human skills and mindset to overcome this vulnerability over time. Doing so, the culture itself will contribute to reduced transaction costs knowing that the employees are all working towards the same goal.

5.3.4 Standardization

Standardization is known to reduce transaction cost, having reviewed the principle of repeated work. The expectation of standardization from the client lies within the supplier's ability to optimize the operations, and therefore the preparation work in front of the operations, the repetition therefore will help reduce ex ante transaction costs. These costs are associated with the work that is prior to the operation, in contrast to ex post costs, (Benaroch et al. 2016). The client has been more focused on transaction costs to be saved in the future, "simplification and standardization will ensure that transaction cost will be heavily reduced in the long run" (Equinor, Q10).

On the other hand, the supplier has stated that the transaction costs will not necessarily be reduced unless the standards of requirements are kept similar for each operation. The nature of the alliance is said to be, "generally all about performance and discoveries of new ways of working better" (TechnipFMC, Q10). Not all scopes of work may be subject to reduced transaction costs from standardization, due to new developments and solutions that can be frequently discovered.

If new developments cannot be standardized, out with the standard way of working in a one team, the client may need to control the supplier performance by imposing monitoring on the partnership and in the coordination activities (Das & Teng, 1998). This will relate specifically to transaction cost at execution, ex post, if costs are not saved it is not due to lack of standardization. Some installation methods are subject to standardization, as previously stated by the supplier e.g. mobilizations and review cycles, however not all transaction costs can be reduced as a direct result of engaging an alliance. The reason why we can question this topic is the vast scope that is being traded between the parties. The project services informant in TechnipFMC`s interview, recommends having a system in place to show what costs can be saved and what costs that cannot be saved.

5.3.5 Performance drivers

Performance drivers such as reward for the investment made to engage the alliance, supported by aligned incentives, can be shown and visible when looking at transaction costs in general. Equinor will anticipate heavy savings on transaction costs over time and TechnipFMC will see the return of their investment to the alliance in the form of new work. When reviewing the theory of transaction costs, the performance driver for the client is pertaining to their own organization over time. Equinor has previously stated that as a performance driver, the bonus incentives is a clear contract mechanism to secure willingness to deliver. As previously argued, the performance driver for the supplier contradicts this topic as the real return of their investment is securing more work. Linked to this, the supplier will have less costly tendering activity knowing that the stress of winning more work will be gradually reduced.

As a bridge between these contradictions, one may argue that the savings on transaction cost for winning more work at the supplier`s end, will trustfully show synergies in pricing towards the client. The transaction costs of the expenses accumulated in administration, contract proposals and tendering (Domberger, 1998), will be very negative for the supplier if the tendered work is lost. When the supplier expects that both parties shall honor the intentions of the agreement, meaning that more scope is to be awarded to the same supplier. The transparency of the supplier can be shown in both ways. One way to mitigate the risk of high transaction costs for e.g. tendering or unpaid administrative work for conceptual studies or free engineering, is to show the client what the potential cost of resources that takes to plan for such work. Secondly, the transparency in pricing of new work will show the saved synergies as an effect of not losing the work that the supplier is tendering for. In this way, the client can be proposed with cost savings as a direct result of the alliance (Domberger, 1998).

TechnipFMC refers to Japanese automakers in the interview as an example of how the parties have succeeded in reducing their transaction cost by not being in competitive tendering for all the deliveries. Such interlocking business relationships have shown successful contracting as the supplier is considered the specialist. This way, the reward for investing in a relational partnership will be visible to each work order and gradually see the improvements if some of the work orders are subject to standardization or other key elements of the alliance.

5.4 Innovation

5.4.1 Long term partnership

Innovation is becoming more important in today's economic environment where the focus on cost is growing due to the vulnerability in projects when facing fluctuating oil prices. The new contracts Equinor has implemented and are planning to expand further in the value chain, have clear drivers linked to the ability of the partnering firm's innovation ability. This is supported by Goffre et al. (2005), who refer to numerous studies that show companies who commit to innovation in the early stages of a long term relationship will have a greater chance of success, as innovation will be an important factor in how the contract and execution of work are set up. As this is embodied as a key feature in the alliance, both parties will work to mature this common goal, "I believe that we can get great results on innovation once we really get mature in the new way of working" (Equinor, Q9). This is equally supported by the supplier when saying "Innovation will be developed over time as the alliance grows" (TechnipFMC, Q9). This does not mean that it is guaranteed that innovation will grow automatically in the partnership.

It could also be argued that innovation will be shaped by the success of the operations and the need for higher quality products and services will grow as they progress. This means that some projects may have greater success than others, and it is therefore worth mentioning that the clients exit strategy also could impact the level of innovation in the long run, as the supplier highlights this in their interview as an important topic for both parties. Commitment from both parties to allow for innovation can be seen in the early stages (Goffre et al. 2005). This can be pre execution work such as conceptual designs and FEED studies, which can contribute to the growth of the partnership over time. This would only contribute to sustainability if both parties agree on the exit strategy, i.e. shared risks. Instead of having a supplier to endure loss of costly engineering for innovative solutions that were not utilized, this risk should be compensated in a way that it does not threaten innovation for the long term. If not, the supplier may be less willing to show innovative solutions at the early stage of the next project. This would be if previous projects are terminated at an early stage without a plan forward i.e. exit strategy.

5.4.2 One team

The one team approach will surely help lay out a playing field for innovation, as the client and supplier are sharing offices under a trustworthy and incentive-based alliance. The supplier has clear expectations of the one team philosophy and the added value to the alliance "working together will add value to the alliance when working together" (TechnipFMC, Q11). In addition, one team will add value to the concept of innovation as previously stated by the supplier when the demand for new technology increases. There is cooperation on technology with suppliers in general according to Equinor. Focusing on this need the one team approach will enforce a type of innovation that will grow in a system beyond the boundaries of a single organization, applying coordination of multiple innovations called systematic innovation (Midgley & Lindhult, 2017).

In the one team approach, Equinor wishes to keep all growth of innovation and technology within the new organization, making the principle of systemic innovation comparable to autonomous innovation. On the other hand, autonomous innovation is designed to be handled by organizations that are more decentralized with regards to research and development (Chesbrough & Teece, 1996). Knowing that the one team is a separate unit from both collaborating partners, the suggestion to have a mixture of systemic and autonomous innovation may be a way forward. The one team philosophy may in real life work as a separate unit and is expected to do so for many years to come.

5.4.3 Culture

Innovation requires a certain culture to develop and implement the technology that the client requires and stretches back to the supplier as they need to have people with the winning attitude according to TechnipFMC. The supplier explains their investment in the alliance i.e. investing in people, also relating it into the concept of trust, by honoring the client's expectation for competent people in the workplace. When reviewing this scenario for competent cultures against the logic cultures presented by Dowlatshahi (1998), some clients in general may leverage on supplier's competence and capabilities to develop new technical solutions. We see that this may contradict the fundamentals of the equal principles of the alliance in our case study.

Any joint venture or team will not have any added value for innovation if the supplier is lacking the capabilities to drive innovation in a joint team (Dyer & Singh, 1998). Equinor has also put the engineering responsibility on the supplier, "We need to be experts in our defined strategic capabilities, but we cannot be experts in everything" (Equinor, Q16). Knowing that systemic innovation and trust will shape the team that Equinor is hoping to create, it is likely that it will require a highly motivated culture to drive innovation forward. If not, trust may be weakened as the need for innovation is not driven properly by each company. Chesbrough and Teece (1998) argue this principle, such deficit is considered to cause loose and uncontrolled partnerships.

5.4.4 Standardization

When reviewing standardization as a tool for innovation, the client would naturally expect that the repetition for work carried out within the alliance is done by default, "We have standardized the way of working; engineers will be forced into standardization by default" (Equinor, Q10). Standardization for engineering work is a common factor for many businesses and helps to uncover errors in repetitive work methods, for example as review cycles or design reviews. The supplier has elaborated in their interview that development of new technological solutions and may have an improved working method over time due to standardized work methods. However, standardization is said by the supplier that it can only win time to a certain degree.

The question lies within how much standardization will affect innovation, where standardization is considered a tool embodied in the alliance actively used to increase quality as the workload progresses as elaborated by TechnipFMC. As this may contradict Equinor`s expectations for what standardization can do for innovation. The resources for internal research and development may be scaled down as companies tend to embrace open innovation (Goffre et al. 2005). The efforts of enforcing standardization to impact innovation may in this case study not be directly linked, however more as an indirect consequence when standardization is used as a tool for other theories. It is important to define how innovation is achieved, as our findings for standardization have been referencing the increase of quality of existing products, services and workable procedures.

The definition of innovation is explained as a specific application or utilization of external competence to create new products or services (Cohen & Levinthal, 1990). To support our finding in this matter, we see from benchmarking studies that innovation will succeed in relational partnerships if innovation is introduced at an early stage (Goffre et al. 2005). In this respect, standardization as a tool for growth and increase of efficiency over time will not be considered a direct effect to innovation.

5.4.5 Performance drivers

When looking at the performance drivers to drive innovation, Equinor`s vision for enabling incentives has been clear, allowing the supplier with “playtime for innovation”, without having to negative impact or risk for nonpayment (Equinor, Q9). The incentives were not only incorporated to secure deliveries as earlier stated, but also to ensure that there is room for innovation, “The bonus set up will hopefully drive innovation” (Equinor, Q9). On the supplier side, the anticipation for improved technology is present with a high focus to deliver integrated products and services. The alliance model will indeed be the forum to expect incentives or reimbursement for technological advancement, “If the alliance model as described earlier is open for incentives, the alliance will stimulate the need for improved technology” (TechnipFMC, Q9).

In further interpretation of Dowlatshahi` s (1998) viewpoint, the capabilities ensured to drive innovation will make the client able to develop new technologies for their portfolio. We can review this out of its previous context, discussing culture for leveraging on suppliers to develop new solutions. In contrast to that previous context, Equinor will feel the need to build the suppliers financially to make the investment worth the work:

> This is a double-edged sword, if the supplier is barely making money. You have no chance of driving innovation as they only will seek to minimize cost. (Equinor, Q9)

It is here the client actively seeks profitability for the supplier, as they have envisioned in their strategy, which is why this enforces innovation. The supplier acknowledges that "Innovation can be driven from incentives" (TechnipFMC, Q9). Since our findings are based on viewpoints from each side of the alliance, the viewpoint from each side may appear with different responses even though the main idea of the alliance is the same. The client concludes on this theory:

> If the contract is set up in a way that ensures that their bonus payments are linked to our benefits (shorter rig days), we see that innovation will benefit. (Equinor, Q9)

The client will enforce innovation by making sure the supplier gains profit, as this will gain both parties in the long run.

5.5 Capabilities

5.5.1 Long term partnership

The capabilities for both companies are the collective abilities to do the work, showing for long investments of personnel staffing, expertise, training, communication and more with the human resources that are available (Ulrich & Smallwood, 2004). As companies progress towards shared goals in an alliance, the essence of bringing people together will raise certain key performance indicators (KPI)[21] that involve people, skill sets and how the companies organize themselves. When reviewing the theory of capabilities for the principle of long-term relationships, the client expects the capabilities to grow over time to service the alliance in the best possible way:

> I hope to see a shift in both our capabilities and our suppliers. We need to be better at our strategic capabilities, and they need to get better at theirs. (Equinor, Q16)

[21] KPI; Key Performance Indicator

What is clear is that creating sustainable capabilities for both client and supplier, time is needed to release the full potential within the strategic alliance. This topic is not straight forward, as developing capabilities for the long-term perspective can raise challenges related to the perception of alliance concepts “The main challenge is that the concept of the business model becomes too big, and therefore hard to initiate” (TechnipFMC, Q16). The alliance is large, meaning the scope of work and employees involved. The long-term perspective needs to ensure that both parties don’t overload the teams with work. In contrast to TechnipFMC, Equinor claims they would need develop core capabilities:

> We will hopefully develop both of our core capabilities in such a way that we don’t double dip, but instead give maximum to the cooperation together. (Equinor, Q16).

This can also be interpreted as building a foundation of the capabilities within the joint team, by building trust and social capital for the long-term perspective, (Man & Roijakkers, 2009; Weber & Mayer, 2011). In this way, social capabilities may contribute to build a solid foundation of the one team.

5.5.2 One team

The one team approach is considered an active tool in building capabilities. The plan for manning will capture the principle of joining forces, as the client aims to optimize capabilities within the alliance, “With a one team approach we hope to marry specialist capabilities from both sides of the table” (Equinor, Q16). The client's opinion is shared on the supplier side, “The success with the people. The manning will need to be constant, and not fluctuating. Too much variance in manning will create instability” (TechnipFMC, Q16).

The supplier further elaborates on the oil and gas industry, the volatility in the market which has been very disruptive for several suppliers in recent years. If the one team philosophy can contribute to sustainability, it may salvage the dependency that is recognized in the market, “understandably some may be skeptic, when looking back to the recent oil and gas downturn” (TechnipFMC, Q16). The supplier affirms the underlying skepticism for dependency to an alliance-supplier, especially after the recent downturn in 2014. However, in contrast to standard frame agreements where the supplier has been tendering for each scope with consistent capability, the one team approach in a client-supplier alliance may continue the relationship inhouse with sharing information and knowledge about future operations.

This can mitigate the risk of too much supplier-dependency for the client and increase consistency on the supplier side. As this is already said to be envisioned in the alliance by Equinor, this principle is also supported by Niesten and Jolink (2015), arguing for sharing and storing captured knowledge within the alliance and how this is accumulated and translated into knowledge. This way, both parties will collectively build capability using the one team approach as an active tool specifically for this purpose. It is also coherent to the suppliers understanding of the one team approach, not just for imposing increase of manning and a more stable environment, but also to help the transfer of knowledge, "The relationship will aim to provide a transfer of knowledge and resources" (TechnipFMC, Q11). This way, both parties will keep themselves equally active in a more constant way as opposed to volatile tendering for fluctuating resources, as experienced recently in the 2014 downturn.

5.5.3 Culture

When reviewing the culture related to development of capabilities, the one team approach above is very much connected to the pillar of culture, as the culture is developed in the joint team. We have seen how the culture can contribute in gaining knowledge, but we need to see how the alliance is securing this development. In addition to capturing knowledge and its transfer within the one team, the development will also set a task for the management (Niesten & Jolink, 2015). As the companies will learn how to deal with these arrangements, they would have to make sure that the process of developing the alliance is not too distant from each other. The supplier has been fearing the alliance model`s visionary size, and in contrast to this vision, it may have a distance that can be hard for the development:

> The organizational culture is far too distant and will drift away from the `mother company` (client). The one team philosophy, sitting physically together, is essential. (TechnipFMC, Q16)

As previously stated by Equinor, their old internal cultures are hard to change. The potential reduction of distance may not unlock all the potential that they have envisioned. Capabilities may be shown to be lost in some cultures, both hopefully gained for the purpose of the alliance:

> I think that the alliances will affect capabilities for both parts. Both us and the suppliers will lose and gain some new capabilities going forward. This is a shared risk. But at the same time, I see this as an opportunity to develop our critical capabilities and spending less time on the things that we don't need to be good at. (Equinor, Q16).

Developing alliances will require the companies to form the management team based on the knowledge transfer within the team (Niesten & Jolink, 2015). This will build management capabilities and is enforced by implementing processes such as specialized departments, governance set up, training and evaluation procedures (Niesten & Jolink, 2015). Regardless of Equinor's statements that the loss of capabilities can be equally gained in a more strategic direction, and TechnipFMC's fears that the distance will halt the development. The capabilities within management that is developing the alliance can be just as important as the capabilities of the key functions of the joint team.

5.5.4 Standardization

As we have seen throughout our findings, standardization is a tool equal to one team or development of culture. Standardization will not only improve the quality and efficiency of the alliance but also be a tool for increasing capabilities over time. Standardization will apply to the methodology of what people are capable of, as standards in the oil and gas industry have certain expectations for how things are done. The principle of standardization may therefore increase quality of the work. Repetitive work and the knowledge that is transferred from this, can gain traction for building the knowledgebase of the joint team. Under the supervision of the client who is considered to be a central part of setting the standards of the culture, the methods of standardization are actively enforced:

> We will see the benefit in how we supervise the contract and the learnings across the different contracts will be implemented across. Great standardization work. It is all about getting good at the same way of working, both process and tools to enable optimization of operations. (Equinor, Q21)

In contrast to Equinor`s expectation to achieve great standardization work from the ways of working, the supplier would have to be equally susceptible to the methodology as they withhold their own capability as specialists of the systems they provide. Going forward with this, the supplier needs to trust the client that this is enforced in the right way:

> Trust is essential, and the concept of trust is that we all know in confidence that work and abide by the alliance framework. In this way, we will get to know each other and form the buildup of standardized methodologies, building capacity at both ends for the purpose of the planned scope in the alliance. (TechnipFMC, Q5)

The principle of equality, also Equinor`s company profile, making the alliance grow will depend very much on the growth of their capabilities together. Standardization will help the merge of ways of working. Each firm will create and capture knowledge as it is constantly transferred from each other (Wang & Rajagopalan, 2015). This can tie into the principle of knowledge transfer (Niesten & Jolink, 2015), within the one team from various disciplines. Each team member can grow into their way of doing things several times, showing the quality or state of its heterogeneous environment. This can be shown in examples such as engineering interfacing with document control, procurement interfacing with engineering and so forth. The growth from causal mechanisms with standardization as an active tool, these transferrable mechanisms across the various work disciplines may gain capabilities within the joint team.

5.5.5 Performance drivers

The performance drivers seem to be quite different from the supplier, when comparing to the client. In overall, the supplier emphasizes reward in terms of more work and the client wishes to reward the supplier for completion of the job, however not necessarily in a faster manner even though the client assumes that this is what the supplier will do. When looking at this scenario with a commercial set of eyes, one may speculate that most of the works may be on a fixed lump sum payment basis. The return of investment or reward for undertaking risks, should in both cases match each company's profit and loss requirements for positive revenue and balance sheets. From here, the investments done for the alliance itself should reflect the human capital and not the bonus schemes. To see how this relates to capabilities, it can be quite severe if the partners do not get returned revenue for investing in people. The investment in people is investing in the company's resources and capabilities of the organization, that will contribute to long-survival and in principle gain competitive advantage over time (Johnson, Whittington, Regnér, Scholes & Angwin, 2002). The dependency can go both ways, and Equinor fears that they may get too dependent on the suppliers in an alliance:

> One of the main risks that we have seen as we get more connected to our suppliers is that we might get too dependent of our suppliers in the long run. (Equinor, Q7)

This dependency may be for the increased knowledge that is developed within the alliance, and the transfer of how things are performed as we have discussed for one team and culture, growth takes time to build. The dependency itself can be good if both parties rely on each other to make things work. If the supplier abides by the new governance model, it should not deviate from the vision of trust and opportunistic behavior, however it can grow too far if the need for the alliance supplier`s engineering services becomes too great and out of control. In contrast to this, the supplier will eagerly try to sell more goods and services in any shape or form, and naturally seek expansion without being suspected for opportunistic behavior. If they can rely on mutual success, dependency is seen as a goal if it is considered mutual:

> This is a culture where they equally depend on each other. In the oil and gas industry, this dependency is much more volatile and disruptive. (TechnipFMC, Q16)

Instead of having a bonus incentive plan for completion of work, the supplier will appreciate the performance driver as a sustainable relationship. The supplier values how they both can co-exist dependently in a mutual way, “can become in unbalance, and gain dependency” (TechnipFMC, Q13). How this relates to performance drivers for capabilities, is the very essence of the oil and gas market in general - to retain the resources within the alliance. The people represent the values of the company, and in the recent years when looking to the past downturn, the values represented by downsizing companies were considered lost due to the redundancies.

The very principle and main goal of the alliance should be to retain capabilities, shifting the performance driver itself from monetary incentives to retaining its capabilities. As we fear the disruptive outcome of a business that is known to be volatile, the principle of trust in people comes to the surface as the vital asset for mitigating the risk of downsizing. The social capabilities become very crucial, as with high volatility the pattern of downsizing may have become a repeatable way to mitigate loss of revenues. The alliance management should have the ability to select the right partners and the ability to build social capital and trustworthy relationships (Ireland et al. 2002). This means that the alliance management should know how to trust their partner, and equally should the other partner. One example seen in March 2020, AkerBP has cut significant work from their strategic alliance with Subsea 7, showing the similar vulnerability that the market experienced back in 2014. In addition, the Covid-19 and parallel OPEC and Russia discussions for production capping, are considered temporary setbacks for the oil price.

The oil price should not be considered a performance driver in our opinion but building and retaining the capital that is invested in the alliance - that is the real reward for the alliance partners. In principle, once the resource base is reduced, the cost of investing in new people will have doubled and the return of the investment can be halved.

5.6 Change management

5.6.1 Long term partnership

Coming from the traditional oil and gas frame agreements and EPCI agreements, the change towards alliance contracts would provide the foreseeability and closer system deliveries making the system supplier an expert in their deliveries. The foreseeability is what the suppliers are aiming for, "it will provide more foreseeable future business as the parties are more open towards each other" (TechnipFMC, Q16). Foreseeing future business together will be one of the important things in long term partnerships, as they would try to change together. The supplier may profit on dependency, as the future work is planned out, as per Figure 9[22]. The figure was drawn by TechnipFMC leadership to illustrate how the foreseeability could work, showing example of revenue targets if success is achieved when rolling over to new work.

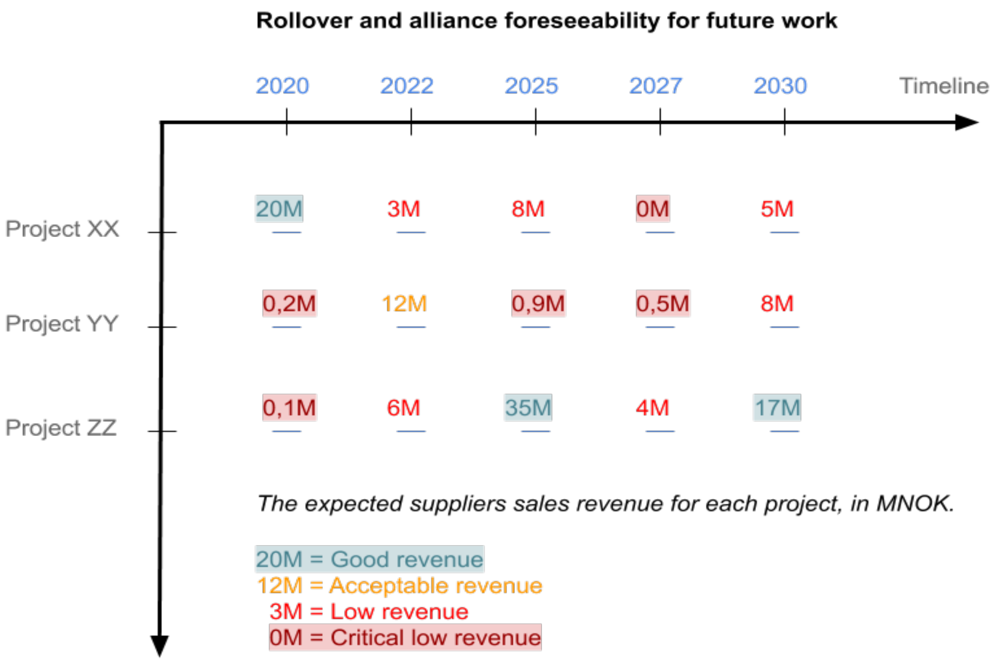

Figure 9 Alliance foreseeability

[22] Figure 9; Alliance foreseeability, drawn example by TechnipFMC leadership informant, 2020.

That change would be significant and considered as a big improvement on the supplier side, however the foreseeability can be considered a risk of dependency. The long-term perspective will show change based on how this can work for the client's portfolio, and the supplier will try to make money regardless of how the relationship is set up. The long-term perspective that the client is used to, is with our delimitation in mind, the integrated supply of production systems (SPS)[23] with a design life of 25 years and vessels to follow the workover servicing in this time frame.

The ability to supply these services as one off delivery in EPC projects has been present for many years already, but the relational contracting is what comes into play when reviewing the long-term change. The effect of having a new contract format is considered the change, in addition to the concepts of closer relationship. In the course of the relationship, planned alternations of organizational change will take place to increase efficiency and quality of the organization, considered as organizational change (Cawsey, 2016). As we know, the vast amount of scope that can be supplied by these types of contracts are considered too big to discuss in this matter, because an alliance contract can award work for one day minor repair operations as well as integrated deliveries for the entire oil and gas production field.

The change for the better requires a set of conditions to be changed when organizational change is recognized, which is to be different to what they used to be (Furst & Cable, 2008). Having organizational change in pursuit of a successful alliance relationship, this would consist of engaging in one team. This can be viewed as how they engage in new monetary incentive programs, the concept of trust in people and its connected culture. These are all considered to be significant changes because of trust issues have been something that the oil and gas industry has been struggling with over a long time. As seen in the past, the effect of the volatility will distance companies further apart, but the introduction of strategic alliance concepts will not only make the supplier change its attitude towards the clients, but the concepts of marriage has been brought up by both Equinor and TechnipFMC. This is to actively plan for the long-term relationship and make necessary changes in this direction.

[23] SPS; Subsea Production Systems

With regards to change management, the level of change for the long-term relationship will show its effect when moving into the same office location and achieving increased knowledge base or improved engineering as new future developments. Secondly and presumably more important, the long-term relationship and the principle of future work will be considered more secure and show how the change will relate to building a sustainably alliance.

5.6.2 One team

The one team approach can be the most visible change to be seen when establishing an alliance relationship. As an example, AkerBP and Subsea 7, larger groups of people have been sitting together at the Subsea 7 offices over the past two years. For TechnipFMC and Equinor, they are expected to have the same setup for this type of relationship. When reviewing change management for the one team approach, the change from Equinor`s viewpoint is considered as a massive change, “It is a big organization that needs to change. Massive change management task.” (Equinor, Q2).

The uncertainties of putting people together in one team may be a calculated risk to some degree, however the final view on how they all will perform is yet unknown. Although the first signs from Equinor’s current one team set up within drilling are showing positive effects. The supplier would expect a positive outcome to this change, “The one team will drive efficiency, and create shared value for both participants when working together. We believe in that principle.” (TechnipFMC, Q11). The outcome may either produce positive or negative results, all depending on how they enforce the pillar of one team. The main element of making this change happen is enforcing the one team with enough vision of trust making sure that the effect of the volatile market will be far less than not being part of an alliance.

Leadership in TechnipFMC still elaborates that the current invitation to tenders are competitive for small portions of scopes that they could manage even with standard EPC contracts, and that is why the supplier may live in doubt. The supplier further says that “The concept of collaboration is at this stage not realistic unless significant changes can be implemented to overcome this doubt” (TechnipFMC, Q2). That might require significant changes, however not just on the client side but also at lower levels within TechnipFMC`s value chain. To allow for successful change to make one team happen, lower levels will also need to be enforced with the right values to allow for this to be successful:

> The downside can also be that people at lower levels are not suited to work in this manner. In bad times, those people can spread questions and negativity. (TechnipFMC, Q2)

5.6.3 Culture

The cultural change that senior management needs to do, is very much connected to the one team. As the desired values are enforced to work as a one team, this will build and create the envisioned culture. The supplier has previously stated in their interview that the culture will need to have a mentality of a best performing team, which is natural to expect from the client as the change is carefully planned to achieve increased efficiency and quality within the culture of the alliance. The change management to gain the culture that the alliance relationships needs, will no doubt require a variety of changes. Organizational change may come in various shapes and sizes, including incremental change, fine tuning, modular transformation and corporate transformation (Michel et al. 2013).

Equinor would need to undergo similar changes, as incremental change may target the growth of the culture along with fine tuning as things will progress. Modular transformation can show how the business unit needs to change in order to meet the requirements for the alliance. This can possibly tie into the entire structure from governance contracting mechanisms, planned operations, one team and thereafter the culture to show how people work together. The recipient part of the alliance, the supplier will need to focus more on ways of working, and not so much its own organizational change. This is because the supplier naturally will have other projects to work with outside the alliance relationship. The supplier has emphasized on the best performing team, but also with focus on transparency, "Transparency about how we can achieve our goals together is a measure that we are prepared for" (TechnipFMC, Q5). The transparency is related to an open book system for incurred, accumulated and accrued costs during the project execution. This transparency and open book system will develop the culture by imposing the various changes (Michel et al. 2013).

The size of the projects that they normally work with, step by step incremental change, fine tuning to gain the clients trust and modular transformation pending the type of work they are planning along with the client. The supplier continues by saying "The starting point and framework for the project will need to be feasible, as both parties can agree on the total cost" (TechnipFMC, Q5). This may kick off how the supplier can change in order to meet the client's requirements. In contrast to this, Equinor will be planning for more transformational change in their own organization. As Equinor has stated, the initiation of the alliance concepts was a need to change overall responsibility the supplier had in order for them to control enough of the process to promote more cost-efficient operations. The main and most difficult change however was cultural change:

> It has been a big challenge to ensure compliance to the new contractual formats, from top to bottom in the organization. New ways of working in this context is a big cultural change for parts of the organization. (Equinor, Q2)

When looking at the size of Equinor, there are several different cultures residing within their large organization, e.g. differences found in drilling cultures compared to subsea installation, or diving operations, IT and other. Most companies in the oil and gas sector are known to have very different cultures, some harder to change than others, and top to bottom change will not be equally enforced. As found in our case study, the client contracts team will see a big change as they have gone from smaller procurement packages to complete field systems, using the same personnel. The change will not only consist of new ways of thinking, but the entire mentality of handing out responsibility. The supplier on the other hand is more eager to move away from the dictating way of contracting and more towards the principle of working together as a family. This principle can show that the employees holds different roles, with responsibility, trust and loyalty towards each other.

This may basically change the way Equinor has performed outsourcing in general, to show a more lean and efficient method of achieving results in a joint culture. If the supplier is looking to gain foreseeability for future work, "away from the old tyrannical way of contracting" (TechnipFMC, Q1), arguably because of future revenue forecasts, this may add pressure to the client's contracting team as they will need to undergo a transformational change. This is not just to work as families as the supplier suggests, but also to trust that the alliance concept can be a sustainable business model. Changing this culture is not easy, but it should be highlighted that short-term downfalls will not impact the alliance in a significant way, as it has done for the Subsea 7 and AkerBP alliance during the recent Covid-19 situation in March 2020.

5.6.4 Standardization

The client has provided responses to the pillar of standardization, and from what we can find in terms of change management, standardization may be considered an effect rather than a planned or outlined change mechanism. Equinor elaborates on standardization and is expected to be improved:

> I believe that in the long run, the effect on transaction cost will be enormous. Standardization across multiple contracts and how we follow up our suppliers. Little negotiations on minor details etc., will give a big effect. (Equinor, Q8)

The principle of change has been debated by various scholars such as Burnes, Hughes and By, (2018), which may be related to standardization. The approach to change, the organization's leaders would have fundamental pillars in place to guide them towards planned change. Equally, the goal itself may present expectations of the outcome when entering into an alliance agreement, "Standardization will be greatly affected; the suppliers will have to standardize their equipment portfolio in order to optimize running time on their tools" (Equinor, Q10). Standardization is part of Equinor's pillar for enforcing their vision for sustainable alliance relationships, interpreted as part of Equinor's planned change. Here, the client is telling us that the effect of standardization may save cost in the relationship and would be expected to do so when this pillar is enforced.

The supplier is supporting our interpretation by assuming the concept of standardization is a planned change from the client side, "a tool embodied in the alliance to increase quality and time efficiency" (TechnipFMC, Q10), not a spin-off or effect of the alliance performance. Opposite to planned change, a spin-off could be viewed as emergent change. Kurt Lewin advocates that return to planned change will promote a more ethical based approach to change, in (Burnes, 2004). Thus, the supplier recognizes that improvement over time is important:

> The continuous repetition of work order procedures and installation requirements will at times improve for the better. Time efficiency is not for production, but in our case working with vessels, time is very expensive. (TechnipFMC, Q10)

We cannot argue that this would fall into the category of emergent change. Improvements as such will be identified as standardization, and from this case study this will be repetition of work that is necessary to complete the works, e.g. review cycles, process mapping, installation manuals and proceedings and mobilization plans. The outcome of standardization may show these mechanisms as outcomes of ethical contracting in contrast to what emergent change is known and disputed in the past i.e. free market, winner takes it all approach (Burnes, 2009).

Further in our findings, optimization can be achieved over time for supplier's operations and their use of tools, as Equinor has said their interview. However, optimization is not embodied into the alliance because the various work scopes are considered very different. When similar work scopes are planned over and over, the effect of standardization will be embedded into the next plan for offshore operations:

> The essence of time spent on mobilizations can have a heavy impact on price and margin. Standardization will help to improve this. Standardization will improve the roll-over to next planned work. (TechnipFMC, Q10)

The client will however enforce standardization into the contracting model to a limited level with the use of contract administration requirements that will seek to drive standardization to a certain degree, and from there it will grow into a preferred way of working. As standardization is recognized and interpreted as planned change, standardization can also show effects of efficiencies in details that may not have been recognized in the beginning of the alliance, however, maintaining Equinor's vision of contracting.

5.6.5 Performance drivers

Performance drivers, risk and rewards are clear planned contract mechanisms from the client's side. The rewards have been previously argued to take different shapes. The reward in the eyes of the client as bonus schemes for completion of the work, and bonus to drive innovation from close collaboration. Knowing this, we look towards how change leadership is enforced for both parties to achieve rewards for their investments to this alliance model. As argued, the real reward for the supplier is to overcome the volatility in the market. In this context, the performance drives can show the level of integrity of the leadership in pursuit of achieving a sustainable alliance. The change in leadership is therefore interesting seeing how this can work for both parties.

Aside from the bonus regime, the reward for risk should reflect the investment of resources in the alliance. Bonus schemes are normally considered performance drivers when looked at in a positive way, however the supplier would not recognize this as the main performance driver. As we have discussed, the real reward for the supplier will in many cases be that more work is coming. One may argue that the use of bonus schemes is more efficient hence less expensive than use of penalties such as liquidated damages. The concept of such damages will come at a cost and the client would have already envisioned a bonus for completion of work to avoid such penalties. This should be considered as a good performance driver. In outsourcing, all risk has a cost. The cost of each scenario that could impose a greater risk for the client, should be expected as a calculated risk (Domberger, 1998).

The client should already have identified knock on effects, consequential losses, or how to mitigate risks that may occur if partial deliveries are affected negatively. As the client is "marrying the supplier" (Equinor, Q15), and the supplier is asking the same question, "need to be in bed with the right partner" (TechnipFMC, Q4). The center of all this, is trust. Trust is earned and enforced as a vision for how the collaborating partners shall work, meaning working closer together and sharing the risk that they both are embarking on. As we have discussed, there are many ways of showing trust and how this works in real life, but the architects of this change will need to be assessed in order to understand how the reward is planned for the supplier.

Sharif and Scandura (2014), argued that in context of organizational change, ethical leadership matters when followers of this organization are trusting the integrity of the governing leadership. As the alliance will operate as a separate business unit, aiming for the same goals, it is vital that the involved workers can fully trust that the leadership is ethical. This will come true in the sense of one team, as all participants of this joint team will show active involvement hence trust to the model. To enforce this trust, and knowing the ambiguity between the parties, leadership will need to have transparency in the leadership with direct communication, reaffirming the right values in order to achieve the dedication that the alliance deserves (Sharif & Scandura, 2014).

In this principle, the performance of the one team will increase. The principle high performing teams proposed by the supplier, shows that good performance is not only working more efficiently, but working for the incentives that will change their ways of being capable. The work shall aim for nothing else but success.

> The suppliers have asked for more of the overall responsibility for a long time. We hope that they will take the ball and deliver a touchdown. We will hopefully develop both of our core capabilities in such a way that we don’t double dip, but instead give maximum to the cooperation together. (Equinor, Q20).

The question lies in what an acceptable risk in the alliance relationship is compared to previous EPC contracts, how they differ and why. The real cost of imposing liquidated damages in the short term can in some cases be far more expensive than initiating a bonus scheme for the long run. The monetary value may be higher at the time because the client may end up losing more in terms of the investment in the alliance. That can be the biggest risk for the principle of risk and reward. If the reward for undertaking this risk is worth it, the alliance could be considered a success. If not, it may not meet the level of sustainability that is needed for Equinor and TechnipFMC to build a sustainable alliance relationship. It would then be safe to argue that the long-term reward should outweigh the short-term alternative costs of failures.

6 Conclusion

This paper has explored how an alliance can be sustainable. The conceptual alliance pillars are the basis for a foundation that can build a sustainable strategic alliance. The pillars will harness the trusting culture that is required to work together as an efficient team and is considered by both sides as one of the vital factors in achieving sustainable relationships. By utilizing the potential within the pillars, it will enforce the parties to abide by the contract and organizational governance, securing quality in all stages of the alliance with joint incentives and better ways of communicating.

The effect of enforcing the pillars, will drastically reduce transaction costs as the alliance is growing, proving the business model is working. The sustainability will show its reward when people are working towards the main goal, as efficiency, standardization and innovation is gradually reducing costs and increasing the overall value of the partnership.

Innovation will develop gradually in the partnership, forming new engineering solutions by standardization of engineering methodologies. It will show the sustainability of the alliance, either if it is driven by incentives or the other way around. The pillars will enforce sustainability through joint capabilities as the team and culture are grown over time changing old cultures and merging them into a new and efficient one team culture.

Concluding on our research, our results suggest that strategic alliance relationships can be sustainable. The pillars will act as guiding lights in a joint effort by both client and supplier. However, it will require endurance by both parties as there must be room for trial and error as this is quite untested territory in the oil and gas industry in Norway. It is clear that the potential benefits we have uncovered for both parties deserve perseverance as this new way of working has potential to unlock untapped potential in the client supplier relationship in the future.

6.1 Managerial recommendations

During our research we have found some key elements that must be assessed by management going forward with possible strategic alliances in the future:

- Our results suggest that a high focus on change management during the implementation of a new strategic alliance partnership will have a great effect on how quickly one will be able to capture value from the partnership. Carefully selected leaders on both sides of the table should act as change agents driving change forward in a positive direction.

- Our results indicate that trust must be proven through governance by showing obedience to set agreed guidelines. Setting clear guidelines that are easy to follow in the one team context will be essential if both client and supplier are to gain trust.

- Our results suggest that companies involved in strategic alliance relationships should retain key personnel even in downturns. The short-term cost benefit of downsizing should be looked at in relation to the increased transaction cost and the temporary loss of critical value creating elements of the partnership in a more long-term picture, e.g. research and development.

- Our results indicate that foreseeability with regards to future work is just as important to the supplier as bonus incentives. Implementing a balance of the above points in future contracts may have a positive effect on innovation and sustainability of the alliance relationship.

6.2 Limitations

As we have limited ourselves to investigate the integrated services within the oil and gas industry in Norway for SURF and SPS segments, the limitations will show that this type of alliance relationship is contemporary. Only a few client-supplier alliances in this industry are active today and showing that sustainability may not have been achieved. As an example, planned scopes between AkerBP and Subsea 7 have recently been reduced due to the Covid-19 downturn (www.e24.no), with their announcements of workforce redundancies already in April 2020. TechnipFMC has also shown to downsize in May 2020 due to the upcoming downturn after Covid-19 (www.e24.no), interestingly occurring during the progression of this paper. It should also be noted that a few weaknesses have been identified as we progressed with this paper. We both work for these large companies in question and there is only one case study to test these theories.

6.3 Future research

Recommendation for further research is a more detailed review of the investment value of a strategic alliance relationship vs the factual revenue margins that is expected from its planned commitments. To form a solid basis on why corporate decisions are made in our case study, we need to present the exact figures of how much of the investment costs and how much the loss will cost the alliance. One could raise the question - *Does senior management use redundancies as a short-term instrument to cut costs without looking at the long-term financial effect*? This would target sustainability, however on a micro level. This micro level can provide various thesis topics to test the performance of the relational contracting methods, either legal or commercial based.

Findings can be done outside the selected theories from this paper, investigate critical time precisions and costly affairs. This could be to compare how contractual performance varies on the different types of scopes. An interesting direction could target the long-term financial effect on the invested organization in the alliance relationship, such as the cost of outsourcing in the alliance.

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Appendix A: Interview guide

1. Why do you think that strategic alliances have seen a resurgence in recent years within the oil & gas sector in Norway?

2. What has been the biggest challenge in transforming the organization from the traditional governance model to the strategic alliance concept?

3. What measures have been put in place to ensure that the strategic alliance will have a chance to succeed?

4. How important is mutual trust in the governance model?

5. What measures have been taken to ensure that the trust will grow in the partnership?

6. What considerations have been taken with regards to increased quality and added value in this new format?

7. What role has risk / reward played in assessing the benefits of this contractual format?

8. What role has transaction cost played in choosing a new contractual format?

9. How will shared incentives drive innovation?

10. How will standardization be affected?

11. What added value will the one team collaboration give to the long-term partnership?

12. How will opportunistic behavior be affected by this new governance model?

13. The supplier has been given more responsibility; how will this affect the long-term partnership?

14. How will the strategic alliance affect quality of service delivered?

15. What are the main risks with the strategic alliance concept?

16. How will strategic alliances affect capabilities within each company?

17. Are there any positive surprises so far in the alliance that was unexpected?

18. Are there any elements in the alliance that are not working as expected?

19. What have we learned so far?

20. Are there any areas that require adjustments based on the experience so far?

21. Are there any things you would like to add that we have not covered during the questions?