Mapping of Global Procurement Processes

Phase 1:

When Asian yards are awarded construction contracts for installations to be used on the Norwegian Continental Shelf

Workshop Bergen March 12, 2014

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Phase 1: When Asian yards are awarded construction contracts for installations to be used on the NCS

Agenda: with engagement from the audience

12:00 – 12:50: Presentation of the report
- Where and when do the suppliers need to be active to have a chance to win contracts
- Expectations from oil companies, yards and engineering companies

Cultural differences with focus on the cultural aspect you need to know to do business in Asia

12:50 – 13:40 The legal precautions Norwegian suppliers need to understand and take when doing business in Asia

13:40 – 13:50 Break

13:50 – 14:40: Experience transfer when doing business in Korea
- Oil companies' experience (oil companies' site team)
- Engineering companies' experience
- Yards' experience
- Norwegian suppliers' experience

14:40 – 15:00 Summing up/ What can INTSOK do?

Closing remarks

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- INTSOK's mission
- Background
  - Oil price
  - Will to invest
  - Capacity constrains
  - Global market
- Changed conditions for Norwegian suppliers
- Consequences

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- Why do this mapping:
  - Overview of the decision makers and when decisions made
  - The ultimate goal for any supplier

→ **Win contracts for all projects at the yards**

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Field Development Phases

	Business Planning	Pre FEED & Studies *12-36 months…*	FEED *12 months*	Project Tendering *6-8 months*	Project Execution *36 months*
OPERATOR	Establish Study Premises Address strategic & political considerations Establish the business case	Establish design data base Conduct Feasibility and concept studies , Select Field development Concept Complete PDO and Contract Strategies Engage FEED Contractor(s)	Detail out concept and Specify materials and Equipment Formulate Approved Vendor List (AVL) Invitation to tender (ITT) package(s) developed	ITT tendered amongst Prequalified Contractors AVL amended to include input from Tenderers .. EPC Contracts awarded (revised AVL..)	EPC contracts executed e.g. by • Yards in Asia • Engineering offices in "hubs"

Vendor Engagement

VENDOR		Studies by Vendors with critical equipment "New" technology vendors qualification Service providers performing technical studies	Vendors considered for AVL invited to make budget proposals Vendors performing project specific qualification	Vendors give technical and commercial input to develop Tenderers bid.	Approved Vendors invited to bid

Earlier Vendor Engagement - the key to success

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- Expectations / Success criteria:
  - Approved Vendor List (AVL)
  - Delivery time / Sail-away-date
  - Flexibility
  - NORSOK
  - Communication
  - Evaluation method
  - Hierarchal society; private life, school, and at work
  - Local presence / Trust / Get to know them

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- Cultural awareness:
  - Confucianism
    - Hierarchy, respect, rituals, humble
  - Relations – trust
  - Loose face / save face
  - Collective responsibility vs Individualism
  - Hard negotiation meetings – Social dinners
  - Repose time (1-2 hours)
  - Communication
  - Seek advice

"Koreans do business heart to heart, Norwegians do business head to head"

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- Legal aspects
  - by Wikborg, Rein & Co

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Experience transfer:

- Oil and gas companies / Rig owners:
  - Suppliers need to invest time in the country they deliver products/services
  - Suppliers need to have someone locally who understands NORSOK
  - Towards yards, be clear on expectations, follow up closely, be demanding and firm in a gentle way
  - Build common understanding of NORSOK, more time-consuming
  - Be aware when problem arises, actions may be absent
  - Be aware of hierarchy between yard and engineering company – communication + cooperation
  - Detailed engineering should be more complete at contract award
- Yards:
  - Approved Vendor List (oil companies/rig owner) most important
  - Are experts on mass production, do not like changes to design, do not like unforeseen activity
  - Cultural history very important in how they act and think privately and in business
  - High quality, high price, delays, no flexibility, always on vacation
  - Want flexibility, work 24/7, to reach delivery date
  - Want Korean suppliers; local, language, know how to treat the yards
  - Have little NORSOK knowledge – have used Norwegian suppliers to verify NORSOK of other tenderers
  - If delay – supplier is blamed
  - Blacklisted if not good performance
  - Demanding, show little respect, impose unreasonable high requirements on suppliers – hierarchy/culture
  - Be present locally with local employees (communication, response, cultural understanding, show commitment)

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Experience transfer:

- Engineering companies:
  - Need expectation clarification meetings to be more open and cooperative to mitigate risk and delay
  - Norwegian engineering companies -extensive experience working with oil companies on NCS, know NORSOK
  - Engineering companies should have quality assurance systems in place
  - The quality/capability/skill of the oil company's project management is crucial
  - Commercial and technical evaluation should be balanced – oil companies' call
  - Korean yards might have too high respect for the oil companies to raise issues
  - Be aware if direct contact between oil companies and engineering companies
  - Oil companies should invest time to conclude detailed engineering before yard contract award
  - Oil companies should invest time to ensure common understanding of NORSOK
  - Suppliers to make high-quality delivery every time
  - Suppliers are smart to have strong focus on delivery date, to know and understand yard's procurement + fabrication schedule and to demonstrate flexibility
- Norwegian suppliers:
  - Delivered on NCS projects, gives opportunities for other projects
  - When establish office locally; strong Norwegian management/control + large number of local staff
  - Expect the yards to transfer responsibility/liability to supplier
  - Yards are though negotiators expect to give something in each meeting
  - To do business in Korea, need to be available (expected response 1-2 hours)
  - Market themselves towards **oil companies**, yards and engineering companies, FEED / Pre-FEED contractors
  - Need to present themselves during FEED phase of the CVP process towards yard
  - Oil companies should focus on right quality, achieving lowest possible lifecycle cost, adopting long-lasting solutions
  - Oil companies 'operational and maintenance organisation should be involved early in a project
  - Seek advice from experienced Norwegian suppliers locally

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Summery:

- Early involvement with oil companies, FEED contractor, yards and engineneering
- Access to a larger market
- Know the yards success criteria
- Learn from other's experience
- Cultural understanding
- Legal advice

How can INTSOK contribute…

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INTSOK' contribution:

- Promote Norwegian yard- and supplier industry worldwide
- Contribute to maximize the Norwegian content regardless if contracts are awarded to Norwegian or international yards
- Workshops to promote findings from the Global Procurement Processes mapping
- Focus on more than 60 mega projects worldwide
- Delegation roadshow to yards in Singapore and Korea 2014
- Assistance from Local Advisors in Asia (Korea, Singapore, China)

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