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Initiating business relationships in South Korea

A Case Study of Norwegian Marine Equipment Companies' Projects with South Korean Shipbuilding Companies

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PREFACE

This written work is the master thesis of the author, pursuing a Master of Science degree in Industrial Economics and Technology Management at the Norwegian University of Science and Technology (NTNU).

The purpose of this thesis is to investigate initiation and development of project relationships between Norwegian marine equipment companies located in South Korea and South Korean shipbuilding companies. A literature review was performed to form a theoretical framework. This framework was utilized in the analysis of the empirical findings from a case study of three Norwegian marine equipment suppliers with subsidiaries in South Korea.

I would like to thank my academic supervisor Lise Aaboen, at the Department of Industrial Economics and Technology Management, for valuable guidance and feedback. I would also like to thank the people at Aibel, Jotun, Tamrotor Marine Compressors and Kongsberg Maritime who kindly allowed me to cooperate with them in the research for this thesis.

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ABSTRACT

The increasing amount of the major shipbuilding and offshore contracts awarded to South Korean shipbuilding companies is expanding the South Korean market for Norwegian marine equipment companies supplying equipment to these projects. Projects within these industries receive little academic attention despite its size and importance both in Norway and worldwide. An understanding of the processes involved in the initiation and development of project relationships offers a perspective that sheds light on why and how contracts are awarded. It also contributes to the understanding of how Norwegian marine equipment companies with subsidiaries in South Korea should operate to develop healthy and profitable relationships. This is the background for the purpose of this project to investigate initiation and development of project relationships between Norwegian marine equipment companies located in South Korea and South Korean shipbuilding companies. Through a literature review covering the relevant research into this research field, models were developed to aid a case study on three project relationships between three Norwegian marine equipment companies and two South Korean shipbuilding companies. The following research question was answered: How is the project relationship between the case company and the client initiated, and how does the relationship develop before and during the projects?

This thesis shows that project relationships between Norwegian marine equipment companies and South Korean shipbuilding companies evolve through states in a complex, iterative and frequently non-linear way. The initiation of the project relationships is a long and gradual process beginning in the early idea phase of the project owner or some other third party. A supplier will typically leverage and develop relations with the project owner and possibly a third party in order to secure a place on a maker's list. The client's bid for the construction project with the project owner prompts a contact between the marine equipment company and the shipbuilding company. When the client is awarded the project, an inquiry from the client to the supplier, and a round of technical clarifications and commercial negotiations follow. All of these processes are influenced by differing business culture, certain distance factors, as well as strong competition, and can result in conflicts such as delays. Factors such as previous experience, importance of project and pre-project service act in a positive way to resolve these conflicts and drive the development forward.

Managers from marine equipment companies located in foreign markets are advised to: (1) Engage with third parties such as ship owners and oil companies and build a network with as many as possible of these, and (2) Consider subsidiary expansion in order to take a dominant market position, enabling

the company to influence and tackle changes caused by globalisation. Finally, the conclusions of the research suggest further research into: (1) A further development of the initiation models, with a focus on the processes between the recognition and considerations statuses, and (2) The phases that are identified in the initiation, specifically for the marine equipment industry, and what factors and processes that influence the success of initiation efforts.

SAMMENDRAG

Det økende antallet offshore og skipsbyggingskontrakter som tildeles sørkoreanske skipsverft medfører et økende marked for norske leverandører av skips- og offshore-utstyr i Sør-Korea. Prosjekter innen disse industriene vies lite oppmerksomhet av forskning, til tross for størrelsen og viktigheten både i Norge og globalt. En økt forståelse av de involverte prosessene i initiering og utviklingen av relasjonen mellom selskapene i et prosjekt gir et perspektiv på hvorfor og hvordan kontrakter blir tildelt. Denne forståelsen bidrar også til kunnskapen om hvordan norske utstyrsleverandører bør operere for å utvikle velfungerende og profitable forretningsrelasjoner. Dette danner bakgrunnen for formålet med avhandlingen om å undersøke initiering og utvikling av prosjektrelasjoner mellom norske utstyrsleverandører til offshore- og skipsindustrien med kontorer i Sør-Korea, og sørkoreanske skipsverft. Ved hjelp av en gjennomgang av relevant litteratur ble to modeller utviklet til å bistå en case study. Tre norske utstyrsleverandørers prosjekter med to ulike sørkoreanske skipsverft ble undersøkt og analysert. Følgende forskningsspørsmål ble besvart: Hvordan ble prosjektrelasjonen mellom case-selskapet og klient initiert, og hvordan utvikler relasjonen seg før og under prosjektene?

Avhandlingen viser at prosjektrelasjoner mellom norske leverandørselskaper og sørkoreanske verft utvikler seg (evolve) gjennom tilstander i en kompleks, iterativ og ofte ikke-lineær prosess. Initieringen av prosjektrelasjonene er en lang og gradvis prosess som begynner allerede i prosjekteiers eller en tredjeparts idéfase. En leverandør vil ofte utnytte og utvikle relasjoner med prosjekteier eller en eventuell tredjepart i ønske om å sikre seg en plass på en tilbydersliste. Klientens tilbud til prosjekteier for prosjektet setter i gang en kontakt mellom selskapene. Etter klienten er tildelt prosjektet med prosjekteier, følger en forspørsel fra klient til leverandør, og runder med tekniske avklaringer og kommersielle forhandlinger. Alle disse prosessene påvirkes av forskjeller i forretningskultur, enkelte avstandsfaktorer og sterk konkurranse, som kan føre til konflikter som eksempelvis utsettelser. Faktorer som tidligere erfaring med partner og lignende prosjekt, viktighet av prosjekt og tjenester i forkant av prosjekt virker positivt og driver relasjonsutviklingen fremover.

Ledere i leverandørselskaper med kontorer i utenlandske marked rådes til å: (1) Samarbeid med tredjepartsselskaper som skipsredere og oljeselskaper og bygg et nettverk med så mange som mulig, og (2) Vurder utvidelse av kontorer i utlandet for å ta en dominant posisjon i markedet, som vil gjør det enklere å påvirke og takle endringer som følge av globalisering. Konklusjonene i avhandlingen antyder et behov for videre forskning innen: (1) En videreutvikling av modeller for initiering av

forretningsrelasjoner med et økt fokus på prosessene mellom statusene *anerkjennelse* og *vurdering*, og (2) Fasene som er identifisert i initiering, spesifikt for leverandørindustrien, og hvilke faktorer og prosesser som påvirker disse fasene og samtidig den helhetlige initieringen.

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1 INTRODUCTION

This thesis will investigate the processes of relationship initiation and development between Norwegian marine equipment supplier companies with subsidiaries in South Korea and South Korean shipbuilding companies. The analysis of these relationships will be compared with a previous analysis of construction projects between Norwegian oil and gas service companies and oil companies operating on the Norwegian continental shelf.

1.1 BACKGROUND

The increasing amount of the major shipbuilding and offshore contracts awarded to South Korean shipbuilding companies is expanding the South Korean market for Norwegian marine equipment companies supplying equipment in these projects. Oil companies operating on the Norwegian continental shelf have developed a substantial portfolio of new investment opportunities. Coupled with a need for modification and maintenance, it has put pressure on available national engineering capacity. As a result, these oil companies have turned globally, and in recent years several construction contracts for offshore production installations have been awarded to South Korean yards (INTSOK, 2014). The Norwegian shipping industry on its side is one of the world's largest, with the fifth largest fleet worldwide in terms of value (Norges Rederiforbund, 2014). The shipping market is recovering from the financial crisis (Norges Rederiforbund, 2014) and there has been a sharp increase in the number of new orders of ships placed with South Korean shipbuilding companies from Norwegian ship owners in 2014 (Eliassen, 2014)

This thesis aims to investigate the processes involved in the initiation and development of project relationships between marine equipment companies and South Korean shipbuilding companies. This will offer a perspective that sheds light on why and how contracts are awarded. It will also contribute to the understanding of how Norwegian marine equipment companies with subsidiaries in South Korea should operate to develop healthy and profitable relationships. As such it offers new perspective on the internationalisation process as well as offer advice to Norwegian companies who seek success in this increasingly important market.

An article search for research into buyer-seller relationships in the petroleum and shipbuilding industry has provided few results. Projects within these industries receive little academic attention despite its size and importance both in Norway and worldwide. This thesis will investigate new buyer-seller relationships, and further examine the work in Rolfsen (2013) with the use of a comparative cross-case analysis. The comparison aims to uncover similarities and dissimilarities between

initiation and development of project relationships in home markets and foreign markets. At the same time, the similar research from this previous analysis will provide a basis to examine the effects of the context variables such as differing business culture. The result of the case study analysis will be analysed with the use of, and in comparison with, relevant literature in the aim to contribute to the research of relationship development and relationship initiation. More specifically, the thesis aims to contribute to the use of, and expand, models describing the processes in relationship development and initiation. In addition, the thesis contributes to the understanding of dyadic relationships within the context industries.

Rolfsen (2013) utilised the relationship development perspective to illuminate the problems Norwegian service companies have with securing important contracts in competition with foreign companies. This thesis will utilise the same perspective to gain understanding of the strategies Norwegian marine equipment companies can employ to achieve success in the South Korean shipbuilding industry. *The purpose of this thesis is to investigate initiation and development of project relationships between Norwegian marine equipment companies located in South Korea and South Korean shipbuilding companies.* In order to do this I have chosen to do a case study on three Norwegian marine equipment companies' project activities with South Korean shipbuilding companies. Data was acquired by interviewing company representatives involved in major current projects. Models describing initiation and development of relationships developed in the relationship development literature will be investigated and utilised to serve this purpose.

1.2 RESEARCH QUESTIONS

The purpose describes two processes: development and initiation. The research topic of relationship development has been studied broadly and this has resulted in many different perspectives. The topic deals with the whole life span of a business relationship. The study of relationship initiation however has only received more attention in the last 10 years. This study deals more specifically with the processes before and during the initiation phase of a relationship. This phase begins when the seller and the buyer in a potential relationship recognise each other, and ends when a business agreement is reached. The study of relationship development also includes this phase, and both research topics thus overlap partly. The aim of the research in this thesis, as described in the purpose, is to investigate the relationship development in the case projects and examine the initiation of the relationship projects more closely. Because of the overlap, this thesis will propose one research question. However, because of the different perspectives and methods the two fields of research have developed, two separate frameworks will be utilised in the analysis of the case studies.

The purpose specifies project relationships as the area of research. A project is defined as a unique venture with a defined start and end, conducted by people to meet established goals (Pinto, 2013). A relationship will be defined as a process of continuous interaction and exchange between actors. A project relationship is therefore the interactions and exchanges within the frame of the project between the actors involved in the project. The initiation of a project relationship is the process that leads to a project relationship and ends when a project agreement has been made.

The question is developed to accommodate the case study investigating Norwegian marine equipment companies. It will answer how examples of project relationships between marine equipment companies and the South Korean shipbuilding companies are initiated and develop. The investigation will primarily utilise two different frameworks to answer the research question, but the two perspectives will partly converge in the discussion and conclusions.

Q1: How is the project relationship between the case company and the client initiated, and how does the relationship develop before and during the projects?

The research question is broadly defined, while the research has a more specific context. Based on the background and with the aim of fulfilling the purpose of the thesis, I have chosen to investigate the case companies Jotun AS (Jotun), Tamrotor Marine Compressors (TMC) and Kongsberg Maritime (KM). Jotun is a global paints and coating company with 36 production facilities in 19 countries, 69 companies in 45 countries. All in all Jotun is represented in more than 90 countries around the world. Jotun Marine Coatings is the world's leading provider of marine coatings to ship owners and Jotun Protective Coatings supply coating for the offshore industry. Jotun's subsidiary in South Korea is named Chokwang Jotun Ltd. TMC is the world's leading supplier of compressed air systems for marine and offshore use. The company has service points in Brazil, USA, Norway, Germany, Singapore, UAE, China, Japan and South Korea, and an agent network covering 30 countries. KM deliver a range of products related to navigation and automation for, among other, the offshore and shipping industry. The company has manufacturing locations in Norway, Canada, China, Germany, the UK and USA. In total, KM has offices in 20 countries around the world.

The three companies are all by definition marine equipment supplier companies. They all have subsidiary offices in South Korea, and several projects ongoing with the major South Korean shipbuilding companies. The companies produce and deliver different products, the projects differ in size in terms of value, and the size of the companies also differ. The selection of companies fits well

with the background for the research, and also creates a varied basis for the research purpose. While the cross-case analysis also constitute a comparison of two industries (marine equipment vs. oil service), the main focus will lie on the comparison of projects in the companies' home market vs. projects in South Korea featuring the companies' subsidiaries.

1.3 STRUCTURE OF THE THESIS

This thesis is divided into eight main sections. The two following sections will expand on the context for the research and review the relevant literature. The topics will be broadly presented before relevant models are analysed and modified. The fourth section will describe and discuss the methodology utilised in the research. The findings from the case studies will be presented in section five, along with the findings from the cases investigated in Rolfsen (2013). In section six, these findings are analysed utilising the model framework. Secondly, a cross case analysis will compare the cases with the use of the relevant literature. In section seven, the result of the analysis is discussed in relation with the literature review and proposed changes to models will be presented. The last section will present a conclusion, the implications for business managers, and the issues that can be subject to further research.

2 RESEARCH CONTEXT

2.1 INTRODUCTION

In order to initiate and develop business relationships and secure contracts for equipment, systems and services, there are several aspects of doing business in South Korea that these suppliers need to understand. The following sections will examine two of these aspects; cultural differences and the procurement processes of South Korean yards.

2.2 CULTURAL DIFFERENCES

The Norwegian business culture is informal and egalitarian. It features a low respect for hierarchy and authority, and a small power distance between management and employees. The Korean business culture on the other hand, is formal and features a high degree of hierarchy and authority, as well as a large power distance. This section will present the most important cultural aspects affecting the initiation and development of business relationships between Norwegian and South Korean companies. As many of the processes involved in relationship initiation and development is driven by person-to-person contact between the different companies the cultural differences play an important role.

Building trust and personal relationships

Foreigners are often ignored by Koreans until a personal relationship is established. In order to do business with Koreans, investing time in building trust and personal relationships is highly important. This requires meeting in person and cannot be done by e-mail or telephone. Often relationship-building in South Korea involve eating and drinking together. Koreans like to do business between personal relationships rather than between companies, and often these relationships are more important than a contract (INTSOK, 2014). What representatives a supplier chooses in initiation and early development of a project relationship can therefore be a deciding factor, and relationship-building should be taken into account.

Hierarchy and authority

An understanding of how Koreans will react to hierarchical and authoritative factors in the initiation of a relationship is important, especially before trust and personal relationships have been established.

Hierarchy is of great importance to Koreans. In Hofstede's classification of national cultures Asian countries score high on *power distance*, while South Korea is an example of a democratising country following an increasing economic affluence (Hofstede, 2007). People in this type of culture with high power distance expect and accept more power inequality (Hofstede, 2001). At the first meeting with new business contacts they will place these contacts in a hierarchy related to themselves and seek to show who they are and where they fit in this hierarchy (INTSOK, 2014). Attitude and behaviour is determined by this hierarchy and will subsequently affect any communication and the outcome of processes in the development of a business relationship. As an example, the rank of representatives can affect the outcome of a meeting between companies. A comparative study of South Korean and Canadian organisational culture (Dastmalchian et. al., 2000) showed that team and group spirit, and the interplay between seniors and junior employees is low in the South Korean organisational climate. It also showed that deviation from established practices are rarer, and that procedures are followed for most situation. Complying with this, Hofstede (2001) states that a higher power distance implies a higher respect for authority in organisations.

If non-Korean management is unaware of the “invisible” hierarchical systems Koreans adhere to, frustration and confusion may result (INTSOK, 2014). Understanding and awareness is therefore important to prevent the development processes from stalling or regressing. The mode of meeting will also affect the process of establishing the hierarchy and can subsequently limit the effectiveness of communication. The strict hierarchies within South Korean companies also affect how easy it is to

receive correct information and feedback from different representatives (INTSOK, 2014).

Koreans also have a strong sense of nationalism, and they're loyalty lies primarily with their country and company (INTSOK, 2014). Hofstede (2007) also finds South Korea scores collectivist, in spite of showing growing cultural individualism due to increased economic affluence. A collectivist national culture suggests that people are integrated in cohesive groups which they remain loyal to in exchange for protection (Hofstede, 2001). The choice between expatriates and local representatives when meeting with business partners can therefore also have an effect on the processes. Having Korean employees stationed close to yards can be a key for suppliers since it is easier for them to be accepted at the yards (INTSOK, 2014).

Etiquette

When working with and meeting Koreans, there are certain cultural customs that have an influence. Compared to the aspects of hierarchy, trust and relationships, these are more superficial but can still have a substantial effect on the outcome of processes. Foreigners are excused some mistakes if the person in error is humble and makes an effort to solve problems that may arise. Those who are ignorant or uncaring, might on the other hand acquire enemies that may work against them (INTSOK, 2014).

Patience and politeness is valued and goes along with the concept of hierarchy and relationship-building. Listening carefully and rephrasing questions can help avoid misunderstandings. Greeting is a formal process where factors relating to hierarchy such as age, position, marital status, etc. are important elements. Bowing is another important part of the greeting process. When asking for information, one should use open questions. This can avoid the need for negative answers which could lead to loss of face for Koreans. A supplier that shows responsiveness and responds to requests within hours will earn goodwill with a South Korean company.

In conclusion, Norwegian suppliers doing business in South Korea should invest time in relationship-building and acquire cultural awareness and understanding. Norwegians adapting to the South Korean business culture will get on well with Koreans since they have traits that Koreans appreciate, such as modesty and practicality (INTSOK, 2014).

2.3 THE SOUTH KOREAN BUSINESS ENVIRONMENT

This section will look at the procurement processes of South Korean shipyards, and some of the specific circumstances Norwegian companies tendering for contracts face.

2.3.1 NORSOK

NORSOK is a project initiated by the Norwegian authorities in 1993, and has developed standards that specify common technical requirements and contract terms. Operators on the Norwegian continental shelf are required to follow NORSOK standards when concluding contracts with companies outside Norway (INTSOK, 2014). These standards affect the procurement processes of the South Korean yards when working on projects on the Norwegian continental shelf.

2.3.2 PROCUREMENT PROCESS

On a field development project on the Norwegian continental shelf, South Korean yards operate with an Approved Vendors List (AVL) of the qualified supplier companies. The AVL is normally jointly created with the oil company who also has the final word. The compilation of this list begins in the conceptual phase of a field development usually 2,5-4,5 years before start-up of project, and completed in the FEED phase usually 1,5-0,5 years before start-up. The yards normally want suppliers that they have previous experience with on the AVL, but the oil company can include new vendors. The yards are unlikely to include a new supplier for consideration after start-up of a field development project unless this supplier is accepted or invited by the oil company (INTSOK, 2014).

South Korean yards value long-term relationships and therefore expect suppliers to demonstrate commitment and long-term perspective by establishing a local company/office. Networking, other types of local presence and references are other ways of gaining the yards' trust. The experience of Norwegian suppliers doing business in South Korea is that inclusion in the AVL is crucial to the chances of winning contracts. Alliances, partnerships, agency agreements or joint ventures can therefore provide solutions to entering the local market (INTSOK, 2014).

Based on the nature of the procurement processes for South Korean shipyards, Norwegian suppliers should establish contact with the oil company, the FEED contractor(s), the yards and engineering subcontractors as early as possible during the conceptual and FEED phases. Presenting themselves to yards before the start-up of project vital unless an agreement is made prior with the oil company. Attending workshops/meetings organised by the oil companies for yards and engineering companies

can act as an arena to build relationships and establishing local presence is key to build trust.

3 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

This section will present the relevant literature that constitutes the basis for the research in this project. As the projects feature a Norwegian seller and are based in a foreign country, the first part will cover the relevant theory concerning the international context. Next, the relevant theory of relationship development will be presented, and the terms will be defined in more detail. Starting with a general look at various schools of thought and approaches, this section will narrow its focus on a state model. This model will be presented and modified to serve as a framework for the analysis of the project cases. The following section will look into the topic of relationship initiation and define the terms in more detail. The various approaches that has been utilised will be presented before the processes and activities that form a basis for a model are discussed. After this the section will present a status model for analysis of the relationship initiation processes. Finally, the last section will construct the model framework that will be utilised in the analysis to analyse the initiation of the case project relationships.

3.1 INTERNATIONAL CONTEXT

The marine equipment projects that are investigated in this thesis are international to varying degrees. The focal companies are Norwegian with subsidiaries in South Korea, while the products of the projects are delivered to South Korean shipbuilding companies. The project owners are Norwegian or from other countries than South Korea. The projects are run by both the headquarter organisation in Norway and the subsidiary in South Korea. This section will present theory looking at the role a subsidiary plays in the initiation and development of project relationships. This will shed light on the contextual circumstances, and gives an additional perspective on the initiation and development processes.

3.1.1 SUBSIDIARY IN INTERNATIONALISATION LITERATURE

Lacking a formal definition, Internationalisation literature has described the processes of a firm increasing its commitment in foreign markets (Susman, 2007). From their empirical observations of the internationalisation process of Swedish firms, Johanson & Vahlne (1977) suggested that firms typically began internationalising through export activities via an agent before establishing sales subsidiaries and occasionally production facilities. The dimension describing the different modes of establishment were labelled the *establishment chain*. A wholly-owned subsidiary can, following the internationalisation literature, be viewed as a mode or stage of entering a foreign market. Birkinshaw & Hood (1998) defines the market-seeking unit as a subsidiary located in a country because of its

markets importance for the company's products. This thesis will investigate projects from the point of view of Norwegian companies with subsidiaries in South Korea. To aid this investigation, this section will review research into a company's choice of subsidiary in a foreign market and the role a subsidiary might play in projects.

In a review of their empirical observations Johanson & Vahlne (2009) presents psychic distance as a factor determining the degree of liability of outsidership that would have to be offset by firm-specific advantages. The concepts of psychic distance and liability of outsidership does not necessarily refer to countries and might refer to networks (e.g. industries) within countries or wider regions (Johanson & Vahlne, 2009). This insight suggests that an investigation context consisting of the industry structure as well as the business culture in South Korea will benefit the understanding of the companies' choices in the initiation and development of project relationships.

Relating to the concepts of psychic distance and liability of outsidership and drawing from the Uppsala model, Solberg (1997) presents a framework for strategic decisions relating to internationalisation. The framework incorporates the globality of the industry, the globalisation drivers and the company's preparedness for internationalisation. This framework can provide a different perspective and help explain the choices of operation in South Korea made by the companies investigated in this research.

Three indicators of *industry globality* is presented as industry structure, strength of globalisation drivers and market interdependence. The preparedness for internationalisation is determined by the factors of the international organisational capacity and the market share in reference market. Exploring these indicators and factors the author constructs a typology of industry structure and company profiles consisting of three categories each:

Industry structure	Company profile in global markets
The multicountry industry Industry dominated by national actors and fragmented competition. No signs of development towards a more international structure.	**Globally Immature** No or limited export activity and no dominant position in present market.
The potentially global industry Having the possibility of becoming global. One type is the fragmented industries with elements of exporting or expanding multinational actors. Another type is the industries where international competition is confined to supplying countries.	**Globally adolescent** One type of companies with no foreign experience but with a strong position in present market. A second type of company with international experience but only small to medium market share in home market.
The global industry Limited amount of dominating global actors, often with smaller segment-oriented players.	**Globally mature** Dominant position in major markets and dependent on international sales.

Table 1: Industry structure and company profile in global markets

Company profile in global markets of the case companies

All the marine equipment case companies have a dominant position in major international markets, and a large portion of their revenue stems from international contracts. This places all companies within the *Globally Mature* category.

Industry structure of the case companies

The ship construction segment of the shipbuilding industry is dominated by a few global companies, placing it firmly within the global industry category. The marine equipment segment (suppliers to shipyards) on the other hand consists of many relatively small companies worldwide. Estimates from 2009 places the number around 5 000 to 9 000 companies worldwide (ECORYS, 2009). The same study states that the industry is highly internationally oriented and around 46 % of European marine equipment is exported out of Europe. The marine equipment industry is in other words showing characteristics of being one type of potentially global industries.

With a further analysis of these industry and company traits and additional consideration of the factors of financial strength and human resource base the authors constructed a framework that divides the strategic thrust of a company into a matrix of nine windows.

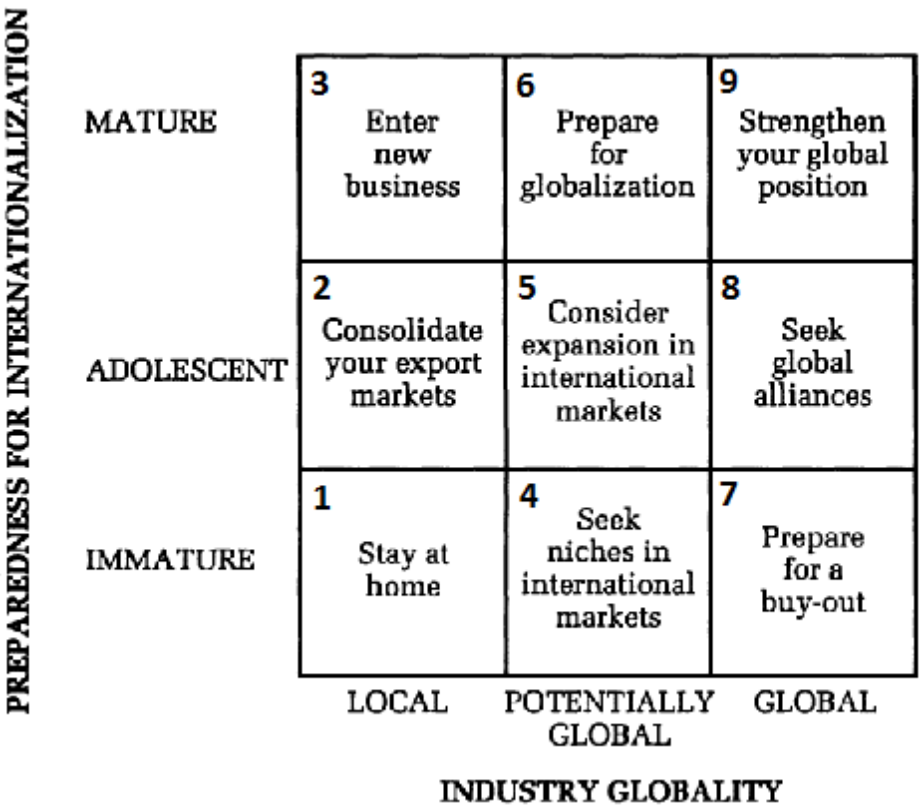

Figure 1: Nine windows model. Adopted from Solberg (1997)

Given the identified company profile in global markets of the case companies and the industry structure of the marine equipment industry, the framework of nine windows in Solberg (1997) suggests that the case companies prepare for globalisation. For financially strong companies, gaining market positions in individual markets is recommended. Acquisitions and joint ventures is suggested (Solberg, 1997), while expansion could in a similar way act as a strategy to acquire a dominant position. For financially weak companies, strategic alliances are suggested as an instrument to prepare for changes to the industry structure caused by an increased globalisation (Solberg, 1997).

3.1.2 THE ROLE OF A SUBSIDIARY IN INITIATION AND DEVELOPMENT

This section will explain important factors that affect the initiation of a project relationship involving a subsidiary company.

The operations a subsidiary performs in the context of the whole company organisation, and thus the role it plays in the initiation and development of a project relationship, depends on various factors. "The roles of foreign-owned subsidiaries varies according to contingencies such as local environment, the structural context imposed by the parent company, and entrepreneurial capacity of subsidiary

management" (Birkinshaw & Hood, 1998, pp. 777).

Subsidiary autonomy

A subsidiary's autonomy determines what part of the company as a whole is involved in the different processes of the initiation and development of a project relationship. Subsidiary autonomy has been conceptualised as both input and output of the processes that influence the HQ-subsidiary relationship (Johnston & Menguc, 2007, pp. 788).

Local environment

Relating to the local environment, Goshal & Nohria (1989) investigates the effect of environmental complexity on the roles of a subsidiary. In their study, environmental complexity is determined by the degree of technological dynamism and competition. Technological dynamism is defined by the rate of product and process innovations. Their study proposes that an integrative structure with low centralisation, i.e. higher subsidiary autonomy, will benefit a subsidiary in complex local environment with abundant resources available. Gupta & Govindarajan (1991) states that "for high effectiveness, the greater the environmental uncertainty, the greater should be the degree of decentralisation" (pp. 785). For a subsidiary with sales functions, a greater complexity of the local business environment suggests a greater subsidiary autonomy in the initiation and development of a project relationship.

Structural context

An industry cluster is a geographic concentration of interconnected companies and institutions within the industry (Porter, 1998). Subsidiaries established in leading-edge industry clusters are usually expected to develop local customer relationships and tend to have a higher degree of decision-making autonomy. Furthermore, this decision-making autonomy will result in greater control of local resources which increases freedom and the possibility of enhancing local embeddedness (Birkinshaw & Hood, 1998).

In Birkinshaw & Hood (1998), decisions regarding changes in product design and manufacturing process partly determines the degree of decision-making autonomy. These types of decisions will feature in the various processes of project relationship initiation and development, such as starting, development and maintaining processes and negotiations.

Johnston & Menguc (2007) demonstrates an inverted U-shape relationship between subsidiary size and subsidiary autonomy, supporting the proposition in Hedlund (1980). At a certain size and complexity, outsourcing some decision-making back to HQ organisation will benefit the subsidiary

(Johnston & Menguc, 2007). This study also argues for a universality in terms of company home country.

Experience and expertise

Birkinshaw (1997) proposes that a subsidiary's local initiative such as developing a new market or process is facilitated by experience and expertise in the subsidiary, credibility of the subsidiary, and low need for communication with HQ organisation. A subsidiary with these traits is in other words more likely to control the initiation and development of a project.

3.2 RELATIONSHIP INITIATION AND RELATIONSHIP DEVELOPMENT

The review will focus on the models made to describe the relationship development processes. The first part of the review will investigate the different approaches and models to describe relationship development as defined. The second part will focus on the initiation stage of relationships as defined.

3.3 DEFINITION OF A RELATIONSHIP

The last two-three decades have seen a growing interest among researchers in interfirm relationships in business markets. Contrast to previous emphasis on short-term aspects, increasing attention has been paid to relational aspects of business (Holmlund, 2004). This has resulted in different conceptual models to provide understanding of the nature of relationships. This literature review will focus on these models.

According to Holmlund & Törnroos (1997), relationships have been described from many different perspectives in the marketing literature. One perspective results in a description of antecedents, contents and consequences. Another perspective looks at activities and exchanges in a relationship. Focusing on the individuals, relationships can be analysed from a socio-psychological and/or political perspective. In addition, relationships may be viewed from an economic perspective (Holmlund & Törnroos, 1997).

In a business context, Holmlund & Törnroos (1997, pp. 305) has defined a relationship as “an interdependent process of continuous interaction and exchange between at least two actors in a business network context”. This definition corresponds to definitions of relationships found in the interaction and network approach in business marketing. It encompasses dyadic relationships as well as relationships with more counterparts.

3.4 RELATIONSHIP DEVELOPMENT

In this section the different concepts and models listed in table 1 will be presented. The table is a chronological summary of the authors that have contributed to the study of relationship development, and the concepts they have contributed with or to. Stages theory will be shortly explained. The different stages models will be summarised, and the criticism and an alternative Dancing and Mating theory will be presented. Afterwards the states theory will be explained and Batonda & Perry's six states model will be closely examined. The concepts were chosen to accommodate the focus on models that describe inter-firm relationship development processes.

Author(s)	**Concept**
Ford (1980)	Relationship evolution (stage model)
Porter (1980)	Life cycle model
Ford & Rosson (1982)	Relationship evolution
Dwyer et al. (1987)	Relationship evolution (stage model)
Larson (1992)	Network formation (stage model)
Van de Ven (1992)	Life cycle model
Heide (1994)	Interfirm governance (stage model)
Wilkinson & Young (1994)	Dancing
Anderson et al. (1994)	Connectedness of dyadic relationships
Hakansson & Snehota (1995)	Developing relationships
Wilson (1995)	Stages in relationship development (stage model)
Ford et al. (1996)	Relationship evolution
Batonda & Perry (2003)	Six states model
Wilkinson et al. (2005)	Mating
Tyler et al. (2006)	Relationship management

Table 2: Concepts in relationship development

Several studies have sought to define the formation of a business relationship closer. According to Hallen (1986) there are, as a rule, five to ten or more persons in frequent direct contact with each other in international business relationships. These generally have different status, roles and personal backgrounds. Hakansson & Snehota (1995) summarises these contact patterns as one type of complexity. Their study states that the personal bonds and convictions play an important role in the formation of a business relationship. Social exchange, also beyond business interaction, is driving the relationship and machine-like relationships do not exist. The trust that emerges from these exchanges are one of the salient factors influencing the interactions in the relationships (Hakansson & Snehota,

1995). Another aspect of complexity is described as the scope and use of the relationship defined by the array of products/services exchanged (Hakansson & Snehota, 1995).

Conflict can however coexist with cooperation in a business relationship, and there is a inherent conflict connected to the division of benefits from a relationship (Hakansson & Snehota, 1995). All conflicts need not be resolved and some conflicts can even be necessary for a healthy relationship. An atmosphere of trust need not imply a conflict-free relationship (Hakansson & Snehota, 1995).

3.4.1 SOCIAL, CULTURAL AND GEOGRAPHICAL DISTANCE

Ford (2001) discusses the development of buyer-seller relationships in industrial markets. One of the variables utilised in the analysis is labelled *distance*. Several aspects determine the overall distance perceived to exist between a seller and a buyer. Social distance – the extent to which organisations and individuals are unfamiliar with each other's working practices (Ford, 2001) – is likely an important factor in this research's context given the disparities in business culture in Norway and South Korea. Cultural distance – differences in practice stemming from national characteristics (Ford, 2001) – will likewise have a determining effect given the national culture differences. A third important factor in this case study is the geographical distance that describes the physical distance and the implications it has on interactions and communication (Ford, 2001). According to Ford (2001) the development of a buyer-seller relationship is a process involving the reduction of these distance factors in order to decrease the overall distance perceived. In researching Norwegian companies operating in South Korea, it is relevant to take the degree to which these companies have managed to reduce these distance factors in the South Korean context.

Early in a relationship when individual relationships are yet to be established, the social distance can be reduced by a company's reputation. Geographical distance can be reduced by deployment of staff or a local office, while cultural difference will be reduced by hiring local nationals (Ford, 2001). As a relationship develops social distance will be reduced by social exchange that increase the individuals' knowledge of each other and contribute to establish trust between the companies. A reduced social distance will lessen the effects of geographical and cultural distance, which might further be avoided by establishment of local office or employment of local nationals (Ford, 2001). In the long-term, strong personal relationships will develop reducing social as well as geographical and cultural distance. However, this can have the adverse effect of undermining the interests of the company in favour of those of the personal relationships (Ford, 2001).

In summary, what roles a subsidiary plays in the initiation and development of a business relationship is affected by: (1) local environment, (2) structural context, and (3) capacity of subsidiary management. The greater the complexity of the local environment, the greater role the subsidiary plays in the processes. The high degree of competitiveness in the international and the South Korean shipbuilding industry (Park et al., 2007; Bruno & Tenold, 2011) and the technological nature of the supplier industry, suggests a high environmental complexity. In a leading-edge industry cluster, which the shipbuilding industry around the southern part of South Korea can be classified as (Hassink & Shin, 2005; Bruno & Tenold, 2011), the subsidiaries usually acquire a high degree of decision-making autonomy. The autonomy of a subsidiary grows with the size of a subsidiary to a certain point where it starts to decline. Finally, experience and expertise in subsidiary management and credibility can help facilitate autonomous subsidiary initiatives.

3.4.2 STAGES THEORY

There are two popular sets of models of the stages theory: The *growth-stages models of inter-firm relationships* (e.g. Ford, 1980), and *life cycle models* (e.g. Porter 1980). In both these sets of models, the development processes are conceptualised as gradual, sequential and over long periods of time.

3.4.2.1 Life cycle models

Analogous to the life cycle of biological organisms, these models consists of "a number of inevitable stages of birth, growth, maturity and decline" (Porter, 1980, pp. 157-8). These processes are pre-programmed and have a given point of departure and an end configured in the present state (Van de Ven, 1992).

3.4.2.2 Growth-stages models

These models, concerning relationship development in inter-firm networks, consist of sequential/incremental and irreversible stages. "An important source of strength of these models is that they are based on literature from many disciplines and therefore reflect the multi-dimensional aspects of networks" (Batonda & Perry, 2003, pp. 1459). However, because of cultural impact on network development, there is no generally accepted stage model, and they do not provide a broad understanding in the international context. Examples of stage models describing the relationship development processes are: The relationship evolution model in Ford (1980), the relationship development process presented in Dwyer et al. (1987), the network dyad formation process presented in Larson (1992), the relationship development process presented in Kanter (1994), the interfirm

governance typology in Heide (1994), and the stage model in Wilson (1995) building on Dwyer et al. (1987). The following table shows the different stages and description of activities in the six models:

Dimension	Ford (1980)	Dwyer et al. (1987)	Larson (1992)	Kanter (1994)	Heide (1994)	Wilson (1995)
Searching processes	*Phase 1 – the pre-relationship stage* Evaluation of potential supplier based on experience uncertainty and distance No commitment at this stage	*Phase 1 – awareness* Positioning and posturing of parties to increase attractiveness to one another Interaction between parties has not transpired	*Phase 1 – preconditions for exchange history* Personal relationships Prior relations Firms' reputations	*Phase 1 – courtship* Two or more companies are attracted, discover their compatibility and their formation rests largely on hopes and dreams Selective perceptions reinforce the dreams, not the dangers	*Phase 1 – relationship initiation* Evaluation of potential exchange partners' aspects Initial negotiation about subsequent relationship Preliminary adaptation efforts	*Phase 1 – search and selection* Finding and assessing appropriate potential partners based on the reputation for performance and trustworthiness Initial interaction and social bonding may begin
Starting processes	*Phase 2 – the early stage* Potential suppliers are in contact with purchasers to negotiate or develop specifications Testing period for potential suppliers	*Phase 2 – exploration* Parties gauge and test the goal compatibility, integrity and performance of the other in key sub-processes Termination of the fragile association is simple	*Phase 2 – conditions to build* Mutual economic advantage Trial period One firm is initiator	*Phase 2 – engagement* Plans are drawn up and deal is sealed Success in the engagement depends on balance between the personal and the institutional structures	*Phase 1 – relationship initiation (continued into this phase)* Selective entry based on abilities and long-term goal capability	*Phase 2 – defining purpose* Determining and defining set of mutual goals and objectives Laying out foundation for generating common understanding and sanctioning of the relationship Limited commitment between parties
Development processes	*Phase 3 – the development stage* Adapting to meet needs of other companies Honoring contracts and integration aspects Joint planning of responsibilities	*Phase 3 – expansion* Continued increase in benefits and increased interdependence Trust and joint satisfaction lead to increased risk taking Additional gratification sought from the current exchange partners		*Phase 3 – housekeeping* Partners begin to live together Discovery of partner's different ideas about business		*Phase 3 – boundary definition* Defining set of informal rules on how partners may call on resources Commitment of resources and people to the relationship to complete tasks Adaptation of process and product or services to accommodate partners Phase 4 – value creation Creation of value through synergistic combination of partners' strengths and better cost management in all aspects of firm's operations Sharing of value depending on power/dependence relationship and structural bonding
Maintenance processes	*Phase 4 – the long-term stage* Characterized by companies' mutual importance to each other Institutionalized patterns Phase 5 – the final stage Long established and stable markets Extension of the institutionalization process	*Phase 4 – commitment* Relational continuity between exchange partners measured by inputs, durability and consistency Partners resolve conflict and adapt fuelled by the ongoing benefits accruing to each partner	*Phase 3 – integration and control* Operational integration Strategic integration Social control	*Phase 4 – compatibility* Partners devise mechanisms for bridging differences and develop techniques for getting along together	*Phase 2 – relationship maintenance* Joint planning efforts subject to change and modification Adjustment based on mutual agreement, self-control and negotiations	*Phase 5 – hybrid stability* Commitment develops through combinations of key variables such as trust, performance and satisfaction Stable relationships result from partner's active involvement
Termination processes		*Phase 5 – dissolution* The costs of continuation or modification outweigh the benefits Emphasis on bilateral efforts for relationship development; but dissolution is more easily initiated unilaterally		*Phase 5 – dissolution* Costs of continuation or modification outweigh the benefits Reliance on bilateral efforts for relationship development; but dissolution is more easily initiated unilaterally	*Phase 3 – relationship termination* Termination based on open-ended interactions	

Table 3: Comparison of six different stage models (Batonda & Perry, 2003)

Table 2: Comparison of six different stages models (Batonda & Perry, 2003)

While there is no interaction in the searching processes in Dwyer et al. (1987), initial negotiations are present in Heide (1994), and interactions are also possible in Wilson (1995). In searching for potential suppliers for a project it is likely that a buyer also searches among suppliers from previous projects. It is also likely that interactions between these parts will affect the searching processes, even if the interactions are not a part of the specific project. In Ford (1980) and Larson (1992), experience and prior relations are factors in the searching processes, while these are not emphasised in the other models. In the starting processes, a deal is agreed in the study by Kanter (1994), while there is limited commitment in the study by Wilson (1995). Ford (1980) also includes a contract in development processes. A deal, represented by a finalised contract will imply strong commitment from both parties in the project relationship. In maintenance processes, Dwyer et al. (1987), Kanter (1994) and Heide (1994) emphasise joint activities to resolve conflicts or handle change. In the development processes status, Ford (1980), Dwyer et al. (1987), Kanter (1994) and Wilson (1995) emphasise accommodation and integration activities.

3.4.2.3 Criticism of stages theory models

The assumption that inter-firm network processes occur in sequential/incremental and irreversible stages is questionable because the processes affecting the outcome might be too complex and uncertain to predict (Batonda & Perry, 2003). Quinn & Cameron (1983) states that "little is known about characteristics of early developmental stages, or about the processes by which organisations progress from one stage to another" (pp. 34). Research has shown that inter-firm relationships rarely go through a step-by-step development process (Ford, et. al. 1996). The complexity of networks (Johannisson, 1986), means that stages models have problems explaining development in the boundaries between stages (Batonda & Perry, 2003). Factors that influence activities when relationships move between stages are not discussed, and failure activities or stagnation is not investigated since a successful progression through stages is assumed (Batonda & Perry, 2003). There is also a absence of longitudinal studies (Andersen, 1993), that questions the empirical validity of the models (Batonda & Perry, 2003). Especially relevant for this thesis' research, the models have also been criticised for not analysing the effect of cultural influence on inter-firm network development processes; E.g.: "The authors have suggested in this paper that there is currently a different approach to carrying out negotiations in most Western countries compared to China" (Buttery & Leung, 1998, pp. 387).

Wilkinson & Young (1994) offers an alternative view to the life cycle model and introduces a new metaphor with the term “dancing”. The dancing metaphor captures the role of cooperation, where value is created by firms working together rather than for their own separate actions (Wilkinson & Young, 1994). It leads to a process view rather than a structural view of relationships, and different dances reflects the different degree of coordination and cooperation tasks needed between firms in a relationship and in a specific industry (Wilkinson & Young, 1994).

In Wilkinson et al. (2005) the metaphor is expanded with the introduction of the term “mating”. Following the metaphor they discuss how firms seek partners with certain characteristics that make a successful relation. They draw on two areas of theory: Assortative mating and sexual selection from biology and social ecology, and relationship formation and stability based on Heider's balance theory (Wilkinson et al., 2005). They conclude that firms seek out counterparts that are similarly or complementarily positioned in the market. Similar firms are more likely to be able to understand each other and work together, while complementary resources and skills are attractive when firms cannot efficiently provide these themselves (Wilkinson et al., 2005).

3.4.3 STATES THEORY

Partly based on research findings that the inter-firm network development is complex evolving in a non-structural way (Anderson et. al., 1994; Hakansson & Snehota, 1995; Bell, 1995), states theory “proposes that the change process is an evolution of unpredictable states” (Batonda et. al., 2003, pp. 1466). A “state”, unlike a “stage”, is one of several possible conditions, which means that the relationship development process is not necessarily orderly or progressive (Ford & Rosson, 1982). States theory springs from the criticism of stages theory and builds upon the stages models. Batonda & Perry's six states model is an example of this.

Andersen et al. (1994) focus on relationship *states* in the dyadic relationship perspective. They reconcile the concept of states with the focus on a*ctivities* in the network perspective by stating that the outcome of activities, when evaluated by the actors, provides judgments of relationship states. The relationship state is thereby not just dependent on the activities between the firms in the relationship, but also the outcome of these activities, suggesting that the development process is unpredictable. Hakansson & Snehota (1995) also describes relationships in terms of relationship states. They posit that how a company views its relationships varies among the parties of the relationship and that a company has virtually no way of accurately predicting a future state (Hakansson & Snehota, 1995). In their model, they identify certain factors for change in relationships

and suggest that understanding the mechanisms and processes of change, rather than the effects of them, can help management cope with the change.

3.4.4 SIX STATES MODEL

Batonda & Perry (2003) concludes that "the network relationship development process is not an orderly progression of phases over time, but is essentially an evolution of unpredictable states" (pp. 1477). This corresponds with the criticism of stages theory presented in section 2.3.1.3, and with states theory. Further, they suggest that "the process is complex, iterative, and frequently non-linear due to the dynamic nature of human relationships and the nature of businesses and markets" (Batonda & Perry., 2003, pp. 1477). Building on a synthesised stages model and their research findings, Batonda & Perry (2003) adds a *dormant and reactivation* phase to form a six states model for overseas Chinese-Australian networks. As network relationships do not always die when they become inactive, this phase describes the relationships that are inactive for a period and gets re-activated for different reasons. Relationships can move to a dormant phase from any other active phase, and can be the result of a change in own business (such as project completion) or in the business environment (Perry & Rao, 2002; Polonsky et al., 2010).

3.4.4.1 The use of the six state model & previous research

Since the six states model was developed in Batonda & Perry (2003), there have been few attempts at developing a competing, general, model of relationship development. The six states model have, however, been utilised in various research investigating different forms of relationship development.

Tyler et al. (2006) investigates the development of services business relationship between a global telecommunications provider and a multinational utilities company. Building on the work of Batonda & Perry (2003), they seek to understand the processes that govern the development through unpredictable states to help the development of market applicable knowledge (Tyler et al., 2006).

Kallevåg & Moen (2007) investigates international market growth from a relationship development perspective. Through a review of state models including Batonda & Perry's six state model (2003) they identify three stages: *searching*, *starting* and *developing*, and, in each of these states, important learning issues are identified from the relationship development literature (Kallevåg & Moen, 2007). A case study is performed on a Canadian company in the chemicals industry. The use of, among other literature, Batonda & Perry's six states model is concluded to have good explanatory power on international market development in industrial markets (Kallevåg & Moen, 2007).

Kaunonen (2010) studies the development of industrial buyer-seller relationships in a Chinese context. An aggregate model of six models: Batonda & Perry, 2003a &2003b; Ford & Rosson, 1982; Halinen, 1994; Niederkofler, 1991 and Rosson, 1996, is developed. Based on a case study it is concluded that relationships develop similarly in the East (China) and in the West (Finland), following a state model, although the duration of the states may differ (Kaunonen, 2010). It is also noted that the dormant and inert state can be a middle state as well as an end state (Kaunonen, 2010). This research is a testimony to the ability of the six states model to describe the development of relationships in a Chinese context, and as the paper concludes, similar business thinking exists in, for example, Japan, Korea and India.

In summary, the six states model has been utilised on different research topics. Among them, a case study on business relationships in the service industry (Tyler et al., 2006), a case study investigating international market growth and learning issues (Kallevåg & Moen, 2007), and a case study on cultural factors and differences (Kaunonen, 2010). Common for these research papers is that they develop a model, partly based on the six states model to aid the understanding of specific cases. These cases also test the applicability of the model in an international context. In the case of Tyler et al. (2006), a multinational utilities network; In Kallevåg & Moen (2007), a small technology firm entering international markets; In Kaunonen (2010), seller-buyer relationships in a Chinese context. These models are not specifically developed to aid a general understanding of relationship development.

Polonsky et al. (2010) expands upon Batonda & Perry's six states model, and highlights the difference between inactivity and de-actualisation in a dormant state. Both inactivity and de-actualisation involves a cease of active engagement between the companies in the relationship. Inactivity prevails when the perceived value of the relationship is high, and the relationship energy is progressive. Reversely, a relationship is de-actualised if the perceived value is low and the relationship energy is regressive (Polonsky, 2010). The perceived relationship value equals the perceived value of investments in the relationship compared to alternative investments. The relationship energy is largely driven by managers' prior interaction frequency and social bond strength. It is progressive when the firms work to maintain a relationship based on favourable experiences, and regressive if a history of adverse interactions exists (Polonsky, 2010). Polonsky et al. (2010) develops a model and a typology, based on literature review, which is meant to improve understanding of a general, inactive relationship. Their model and typology has not been tested empirically.

3.4.4.2 A revised six states model

The model I will utilise in the analysis of the cases in this thesis is presented in table 3, and has its basis in this six states model. However, to accommodate this research's focus on specific projects the model utilised in this research has been modified slightly. Some activities are exempted, while others are expanded upon from the analyses of table 2 in section 2.3.2.2:

1. Prior experience is included as a factor when evaluating potential partners
2. A contract agreement is added as a starting process
3. Commitment of resources to accommodate partner and integration activities is added as a development process
4. Joint activities to resolve conflicts or handle change is added as a maintenance process

Project relationships are often initiated from a situation where the companies have previous experience with each other. Prior experience is therefore recognised as a factor when evaluating project partners. This experience relates to both personal and product attributes. A contract agreement is recognised as a starting process based on the analysis of the different stages models that made the basis for the six states model. A contract agreement is an important part of a project relationship, and is the natural activity to follow other starting process activities. This does not mean that a contract has to be agreed in order for the relationship to be in state 2. Following the description of the state model as an evolution of states, it does not either mean that a contract agreement finalises state 2. In line with the analysis of the stages models, the *commitment of resources to accommodate partner and integration activities* corresponds with the other activities in the state. Regular contact and inter-organisational activities often require a level of accommodation and integration. The definition of a project and a relationship implies that the development processes of a project relationship will require integration of communication and working methods. The inclusion of *joint activities to resolve conflicts or handle change* follow the analysis as well as a recognition of the need for these activities to maintain a healthy project relationship.

States	Description
State 1: searching processes	• Recognition of purpose and need for going into network relationship • Searching for potential partners from outside and inside sources • Finding more information and cross-checking partners' competence • Looking for a match between need and capability • Evaluation and selection of potential partners based on prior experience, personal (social) and product (economical) attributes • No commitment
State 2: starting processes	• Making initial contact through introduction by trusted third party or direct contact • Establishing rapport, testing of personalities and compatibility of partners • Presenting the purpose/opportunity • Testing/probing of goals and compatibility through development and negotiation of specifications • A contract is agreed
State 3: development processes	• Developing personal relationship and mutual trust between partners • Inter-organisational planning of activities, responsibilities and relationships • Identification of priorities and formalisation of discussion • Direct involvement in business discussions through regular contacts and socialisation • Commitment of resources to accommodate partner and integration activities
State 4: maintenance processes	• Increased commitment of resources to networks • Development of inter-organisational and member adaptations • Joint activities to resolve conflicts or handle change
State 5: termination processes	• Weighing cost and benefits of staying in or exiting the network relationship • Dissolution of trading relationship due to outside and inside forces • Exiting through soft landing approaches
State 6: dormant and re-activation processes	• Relationship goes into inactive state due to change in business or project completion or failure to meet individual requirement. • Re-activation of network relationship due to resumption of business activity or emergency of new business opportunity

Table 4: Six states model: States and description of activities. Adapted and expanded from table I and IV in Batonda & Perry (2003, pp. 1460-1462, 1479)

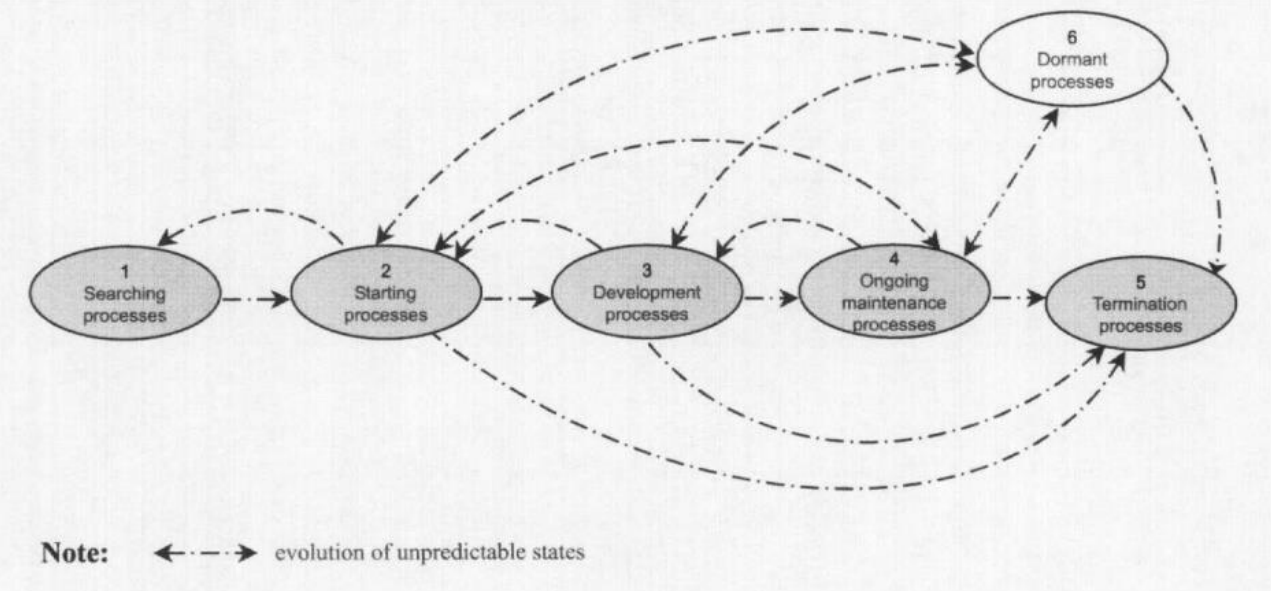

Figure 2: Six states model: States and possible transitions (Batonda & Perry, 2003, pp. 1480)

Figure 2 shows the transitions between the six different states in the modified six states model. The dotted lines indicate the evolution of unpredictable states. This implies that the relationship moves from one state to another in a random fashion (Ford & Rosson, 1982). It also implies that the relationship can be in more than one state at the same time (Ford & Rosson, 1982). Entering one state does not imply the exit of another. The lines therefore show the ways a relationship can enter different states. A project relationship, which is the subject of research in this thesis, can be initiated from any of the six states. The modification of the activities in table 3 to aid the research in this thesis has no implications on the figure.

3.5 RELATIONSHIP INITIATION

Research has developed several concepts in order to describe the beginning of a business relationship. Table 4, presenting these concepts, was partly adapted from a table presented in Viio (2011), which again was adapted from the literature review in Edvardsson et al. (2008). The table presented in Viio (2011) had gathered most of the research from the literature review in Edvardsson et al. (2008) and gave a good starting point in discovering the relevant literature. However, some of the research listed in the table was not contributing to the area of descriptive models and further article search discovered more relevant research. During this review the table was updated and modified to accommodate the focus area on models. In this section I will present these concepts, and identify the approach taken to form them. The main focus will lie on the model presented in Edvardsson et al. (2008).

Author(s)	Concept
Ford (1980)	Pre-relationship stage
Berry (1983)	Attracting (customer relationship)
Frazier (1983)	Initiation Process
Dwyer et al. (1987)	Awareness
Ring & Van de Ven (1994)	Negotiation
Wilson (1995)	Partner search and selection
Webster & Wind (1996)	Buying process
Hedaa (1996)	Selling
Uzzi (1997)	Social embeddedness
Ford et al. (1998)	Pre-relationship stage
Batonda & Perry (2003)	Searching processes
Moncrief & Marshall (2005)	Initiation phase
Aarikka-Stenroos & Halinen (2007)	Relationship initiation
Holmen et al. (2005)	Relationship beginnings
Edvardsson et al. (2008)	Relationship initiation
Aarikka-Stenroos (2008)	Relationship initiation

Table 5: Concepts in relationship initiation:

3.5.1 DEFINITION OF RELATIONSHIP INITIATION

Following Viio (2008) I will use the concept *relationship initiation* to denote the phase that precedes a relationship. Researchers have chosen different approaches to address when a relationship begins. On a spectrum these range from one-sided *need* and *motive*, or *interest* as a sufficient criteria (Frazier, 1983; Yorke, 1990), through *initial contact* (Batonda & Perry, 2003), and *two-sided contact* (Halinen & Salmi, 2001). Further, Ford (1980) argues that the parties should have begun to *evaluate* each other. Aarikka-Stenroos & Halinen (2007) claims a relationship begins when a *first deal* has been made. This corresponds with the view of Ford & Rosson (1982) that a business relationship begins when a *business exchange commences*.

Following Edvardsson et al. (2008) I will define the relationship initiation process as a process that "begins when the seller and the buyer in a potential relationship recognise each other, and .. ends when a business agreement is reached" (pp. 340).

3.5.2 Different approaches to investigate the relationship initiation processes

In line with the broad definition of relationship initiation presented in section 2.4.1, researchers have chosen different ways of describing the initiation phase of a relationship. Aarikka-Stenroos (2008) presents four different theoretical approaches to investigate the relationship initiation processes. These are: relationship development approach, buyer-seller approaches, network approach, and social embeddedness and social activities in initiation. This section will present these four categories closer to give an understanding of the complexity of the topic and the different points of research focus. These differing approaches sheds light on the various activities and processes that is included in a relationship initiation. The next section 2.4.3 will further describe these activities and processes that will feature in the models described in section 2.4.4 and 2.5. In this way, each of these approaches have provided insight that informs an analysis utilising a relationship initiation model.

(1) Relationship development approach

This approach considers the initiation processes as part of the development processes of a relationship, often the first phase. These include stage models, state models as well as other process models. These models, that are constructed to describe the whole relationship development process, have phases that describe the initiation phase, as described in section 2.4.1. The processes and activities that feature in these phases provides insight into the dynamics of the initiation phase, and the different factors that the relationship initiation can rely on.

The following table is adapted from Aarikka-Stenroos (2008). Following further article review, three articles have been included to the table. Relationship marketing is a term coined by Leonard L. Berry in 1983. It involves the processes of attracting, maintaining, and enhancing customer relationships, where attracting is the phase related to initiation (Berry, 1983). The development model of Heide (1994) is described in table 2. In the model of Ring and Van de Ven (1994), the relationship begins when negotiations begins.

Author(s) (by year)	**Phase related to initiation**	**Processes and activities found in the description of phase**
Ford (1980)	Pre-relationship stage	Evaluation, using reputation as a substitute to reduce the distance
	Early stage	Negotiation
Berry (1983)	Attracting	
Frazier (1983)	Initiation process	The motive or need arises

		Scanning potential intrinsic and extrinsic rewards Information gathering
Dwyer et al. (1987)	Awareness phase	Building awareness One-way communication
	Exploration phase	Attraction is formulated Bargaining Expectations are built Testing future goals
Larson (1992)	Preconditions for exchange history	Reducing uncertainty Clearing expectations Enhancing co-operation with prior social relations and reputation
Heide (1994)	Relationship initiation	Evaluation of potential exchange partners' aspects Initial negotiation about subsequent relationship Preliminary adaption effort
Kanter (1994)	Courtship	Mutual attraction Discovering compatibility Selective perceptions reinforce dreams and not the dangers
Ring & Van de Ven (1994)	Negotiation stage	Development of joint expectations about motivation, investment and uncertainties Formal bargaining processes Informal sense-making
Wilson (1995)	Search and selection	Performance scanning Social bonding Communication to establish comparison level Trust creation Expectations Screening mutual goals and shared values
Halinen (1997)	Preconditions	Attraction Awareness of other party's goals, needs and resources Common interest in building relation
Andersen (2001)	Pre-relationship phase (and negotiation phase)	One-way communication, awareness building, being aware Two-way communication, risk reduction, attraction, building expectations and trust

Batonda & Perry (2003)	Searching processes	Recognition of purpose and need Searching for potential partners Information search and cross-checking partners Matching need and capability Evaluation and selection
	Starting processes	Making initial contact Testing compatibility and personalities Presenting purpose/opportunity Testing/probing goals and compatibility
Wilkinson & Young (1994, 2005)	The dance invitation	Matching

Table 6: Relationship initiation as a part of relationship development. Adopted and expanded from Aarikka-Stenroos (2008)

(2) Buyer-seller-approaches

Seller's initiation processes

Selling literature assumes that the selling partner is actively seeking new customer relationships. According to Moncrief & Marshall (2005) the initiation phase of selling processes consists of *prospecting*, *preapproaching*, *approach* and *presentation*. Prospecting involves segmentation, and referrals and networking is utilised (Moncrief & Marshall, 2005). Preapproach consists of activities of researching a potential customer (Moncrief & Marshall, 2005). After contact with customer is established, approach and presentation must demonstrate an ability to resolve the customer's problem (Moncrief & Marshall, 2005). A range of customer acquisition and communication practices, among them Information and Communication Technology tools, are commonly cited. However, "external "advocates" such as satisfied customers and experts are usually in a significant role, … through recommendations and communication networks" (Aarikka-Stenroos, 2008, pp. 8).

Hedaa (1996) describes selling as a discrete act involving the sub-processes (a) pre-call planning; (b) getting into contact with prospects; (c) presenting the product or service (features and benefits); (d) persuasion and overcoming objections; (e) closing the sales; and (f) follow-up.

Buyer's initiation processes

The relationship initiation process can be seen as a buying process, where the buyer evaluates a potential seller with certain criteria (Aarikka-Stenroos, 2008). Robinson et al. (1967) identified the phases in the buying process as: recognition of need and a general solution, determination of characteristics and quantity, description of characteristics and quantity, search for potential sources,

acquire and analyse proposals, evaluate proposals and select suppliers, select an order routine, and performance feedback and evaluation. Webster & Wind (1996) proposes five specific tasks to be performed in a buying process: (1) identification of need, (2) establishing specifications, (3) identifying alternatives, (4) evaluation of alternatives, and (5) selecting suppliers. The tasks and activities connected to the buying process requires information from many sources, and the buyer's expertise, level of risk, and size and structure of buying organisation influence the information search (Johnston & Lewin, 1996). Impersonal sources of information can be relied upon early in the process, while inter-firm relationships and networks become increasingly important when the process progresses, and helps reduce perceived risk (Johnston & Lewin, 1996).

Johnston & Lewin (1996) propose that negotiating strategy and collaborative or problem-solving approach, as opposed to established procedures and decision making guidelines, are more likely to be used between buying and selling firms since the primary goal is to discover the best solution to a purchase problem.

(3) Network approach to initiation

Network literature and IMP-researchers have discovered network aspects of initiation. Due to connectedness, relations can connect non-connected actors and assist actors in reaching new actors (Ritter, 2000). Batonda & Perry (2003) argue that the stages models reflect the multidimensional aspects of networks. Holmen et al. (2005) discerned network-mediated opportunities to relationship initiation, via a connected mediating partner.

(4) Social embeddedness and social activities in initiation

According to Uzzi (1997) social embeddedness creates economic opportunities through signalling reliability and competence, and increasing an actor's capacity to access resources, adjust to unforeseen events and take risks. Social relations can act as negative and positive gate keepers, and may provide a first contact and access or information and recommendations (Aarikka-Stenroos, 2008). Edvardsson et al. (2008) provides empirical evidence and finds that a few key people have a strong impact on the development of the relationship initiation. Dibben & Harris (2001) investigated how business relationships form from social relationships between CEO's, and Aarikka-Stenroos & Halinen (2007) found that personal contacts that aid in the process of relationship initiation are based on personal history, family, friends, education and earlier engagements in firms and organisations. According to Nebus (2006), social relations can facilitate information search and decision making for buyer. For seller, they can serve as information and contact source, and facilitate prospecting and approaching the potential buyer (Jaramillo & Marshall, 2004).

3.5.3 KEY FEATURES AND PROCESSES OF INITIATION

Based on literature review, Aarikka-Stenroos (2008) identifies features that cause the initiation phase to be "a blurred launch phase of relationship that involves various actors, different episodes and communication between various individuals and firms" (pp. 12). Without providing a clear definition of the term "relationship beginning" or narrowing it down in terms of time or activities, Holmen et al. (2005) presents 11 types of relationship beginnings based on an inductive case analysis:

1.1. counterpart initiates first contact with focal firm
1.2. focal firm initiates first contact with counterpart
1.3. a direct counterpart of the focal firm initiates contact between focal firm and one of its other counterparts
1.4. a former employee of focal firm initiates contact between focal firm and present employer/own start-up firm
1.5. a former employee of partner initiates contact between focal firm and present employer/own start-up firm
1.6. the focal firm meets partner via public trade show, fair, trade meeting etc.
1.7. the focal firm meets the counterpart at private, invited meeting or seminar
1.8. contact is established via a (public) request for tenders
1.9. presence in local cluster
1.10. serendipity
1.11. an indirect counterpart of the focal firm initiates contact between the focal firm and one of its other counterparts

Based on this analysis Holmen et al. (2005) present two dimensions showing a firms relationship initiation profile. The *active vs. reactive* dimension reflects whether the focal firm initiates the interaction process or not (Holmen et al., 2005). Building on this, Aarikka-Stenroos (2008) presents *activity and the initiator* as the first of three key features in initiation. The focal firm can be active or reactive in initiation (Holmen et al., 2005), and activeness may realise through organisational or personal initiation activities (Aarikka-Stenroos, 2008). In addition, initial contact can be made through introduction by a trusted third party (Batonda & Perry, 2003).

The next dimension, *intentionality vs. unintentionality*, tells whether initiation is a result of intentional, and active selling efforts, or happens by accident. Following the findings of Edvardsson et al. (2008), the third feature, *speed and progress*, states that the speed and progression of the process are unpredictable and vague (Aarikka-Stenroos, 2008). Initiation does not only progress, instead, the

process can flow backwards or stop at any status (Edvardsson et al., 2008)

Instead of a linear stage process, Aarikka-Stenroos (2008) sees initiation as a process consisting of a range of sub-processes, some following each other linearly, other constant, non-linear or sporadic:

The need or motivation needs to be recognised and defined
This is the launch of the relationship initiation process.

Identification of matching, attractive partner
Actors seek to create awareness and to be aware of potential partners. Attraction can arise from perceived similarity of values, social relations, complementarity, learning, and reference values. Both parties evaluate matching through a scanning of goals, attractiveness and performance of each other.

Access
In addition to awareness and attraction, access needs to be created. Both seller and buyer might need access, and this sub process can be facilitated by external parties.

Constant information gathering and providing, performance scanning and performance verification
Parties seek and gather information. Seller prospects potential customers. Buyers monitors potential suppliers, evaluates their offerings, and employ different decision criteria. Risk is reduced through performance scanning, trust creation and information search.

Forming and defining the first focal transaction
The buyer defines a desired solution/offering, and communicates short and long terms needs. Bargaining and negotiation between parties forms the conditions and attempts to discover the best solution to the buyer's problem.

Building conditions to operate (trust creation, information sharing, getting acquainted, gaining mutual understanding)
Gaining mutual understanding through mutual communication and information sharing shows the buyer that the seller listens to and understands the seller. Trials, social relations and other interactions reduce the distance.

Planning and forming the future of potential relationship (expectations, evaluation, trust creation, matching, social compatibility)

Parties forecast a common future and formulate strategic dimensions of their emerging relationship. Organisational strategic matching and common goals, and personal compatibility are in great roles in this process.

3.5.4 A NEW MODEL OF RELATIONSHIP INITIATION PROCESS

Following a review of business relationship literature, covering among others Hedaa (1996), Edvardsson et al, (2008), conclude:

- The initiation process is seen as a phase in life-cycle models, and does not receive much attention.
- The phases or stages in the process description are neatly separated.
- There is little focus on the time dimension, or why relationships move from one stage/phase to another, especially in the relationship initiation phase.

Edvardsson et al. (2008) builds a conceptualisation of the relationship initiation process, around two realisations from empirical studies: (1) There are distinct, stable positions, *statuses*, in the relationship initiation process that have different closeness to a business agreement; (2) There is no automation in the progress between these statuses in terms of speed, order or outcome. This model also captures the dynamics in the process by referring to different forces that changes the status. Forces that speed up the process are labelled *converters*, while those that slow down the process are labelled *inhibitors*.

Statuses

An *unrecognised* status is defined as the situation when the parties do not know each other, or the buyer does not recognise the seller. In a *recognised* status there is awareness, one- or two-sided. It is typically the seller that is the active part in recognising the buyer, although it is not uncommon for buyers to look for sellers (Edvardsson et al., 2008). A *considered* status occurs when representatives from both parties discuss objectives and scope of an assignment. Meeting activity to exchange information and build trust is more systematic than in the two aforementioned statuses. The transition from a recognised status to a considered status does not happen quickly, and does not rely on certain marketing effort. Rather, it is based on long-term experiences and demonstration of suitability (Edvardsson et al., 2008). Finally a business agreement marks the transition to a business relationship. Typically this process will include the signing of a contract of varying length and volume (Edvardsson et al., 2008). The initiation process may start, and stop, in different statuses, be on hold for indefinite periods of time, and proceeds only when certain converters are present.

Converters and Inhibitors

Converters and inhibitors are forces that cause a change in status and each one work in both directions in the model (Edvardsson et al., 2008). Converters drive the process forwards or backwards, while inhibitors prevent the process from changing status (Edvardsson et al., 2008). An inhibitor might prevent or slow down a status change both to the right and to the left. Likewise, a converter might speed up a change both to the right and to the left. The paper identifies three factors, which can act as converters, as the seller's ability to handle the *time* factor, *trust* in seller representatives and company, and the *service offering.* The time factor includes timetable, and timing of activities and initiation. The trust factor functions as insurance in case of unexpected events, difficulties and changes. The service offering consists of competence and capabilities and the ability and motivation to adapt these qualities to the buyer's requirements. These are just examples, and not the only factors that can act as converters. Edvardsson et al. (2008), concludes that the price, which would be easily evaluated in a tender process, is not of great importance as long as it is reasonable. The real price is counted in terms of personnel allocated to buying organisation, and in terms of risk of failure.

Three inhibiting factors are recognised as: *bonds*, *risk*, and *image*. Bonds are bonds between the seller and the buyer that result in preferred sellers and stability. Risk is the buyer's estimation of difficulties in the cooperation process and negative outcomes. Image is the buyer's overall perception of the seller.

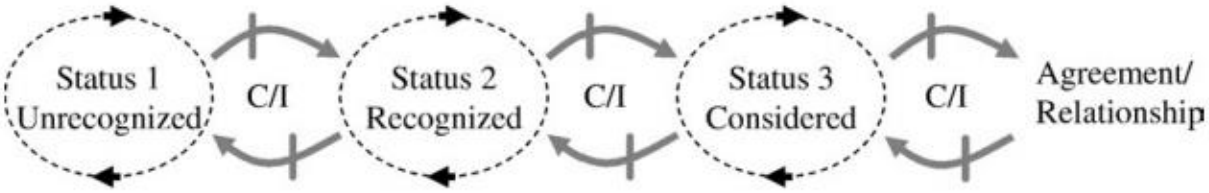

Figure 3: A new model of the relationship initiation process for business-to-business professional services (Edvardsson et al., 2008)

The aim of the research in Edvardsson et al. (2008) was to develop a model that would catch the dynamics in the relationship initiation of business relationships in service-dominant settings. The model was based on empirical findings from a professional service context. Service-Dominant Logic defines service as the application of competences for the benefit of another party (Lusch et al., 2012). The case companies in this thesis all provide their customers with specialised technical solutions and in this process involve application of competence to create value and solutions for the clients. Industrial companies adopting service logic need to understand how they can initiate new

relationships or transform current relationships when hardware is no longer the only value-creating factor. Providing services require a change in relationship-based business models (Edvardsson et al., 2008). The research in Edvardsson et al. (2008) and the resulting model is therefore especially relevant and applicable for the context of the research in this thesis.

3.5.5 MODEL FOR PROJECT RELATIONSHIP INITIATION

This section will describe a new model of relationship initiation. Conceptually it is derived from the Edvardsson et al. (2008) model and keeps the idea of statuses, and inhibitors and contributors. However, it differs from the Edvardsson model in two important ways: (1) The Edvardsson model sees the statuses from the buyer's perspective, while this research will study the relationship initiation from the seller's perspective. This model will therefore shift the perspective to the seller. (2) While the Edvardsson model describes the seller's position in the initiation process from the buyer's perspective, this model describes the seller's position from the seller's perspective. This allows for the expansion of the model with two statuses, which will aid the understanding of different inhibitors and contributors in different transitions. The purpose of the research, to investigate relationship development and initiation processes, will be pursued through a case study of the seller's perspective, and this is the reasoning for modifying the model. In addition, the new model incorporates two more of key features presented in Aarikka-Stenroos: activity, and intentionality vs. unintentionality. This is in an effort to serve the purpose of the project, and further aid the defining and understanding of the initiation processes. The new model presents an extended road-map to the forward moving initiation, while maintaining the idea that initiation can start from any three statuses, develop backwards and stop in any status. This will make it easier to place the initiation sub processes as presented in Aarikka-Stenroos, and also to identify inhibitors and contributors to the specific transitions between statuses.

The new model, shown in figure 3, consists of five (six, including agreement) statuses, denoted 1-5, and 12 ways of progressing (forward) through the statuses, denoted a-l:

1. **Unrecognised**: In this status, the seller is not aware of the buyer. The buyer may or may not be aware of the seller.
2. **Buyer recognised**: In this status, the seller is aware of the buyer, but in this status the seller does not know whether it is known to buyer or not. The buyer may be aware of the seller, but in that case the seller is not aware of this. There has not been any contact, of any kind, between the parties. The seller might, for instance, have discovered the buyer's website through an internet search.

3. **Mutual recognition**: In this status, the seller is aware of the buyer, and knows that the buyer is aware of them.
4. **Buyer considered**: In this status, the seller is considering a specific project with the buyer. The buyer may be considering the seller for the same project, but this is in that case unknown to the seller. Seller might not have informed buyer of their interest, for strategic or other reasons, but might at the same time do active work in preparation for a relationship. A supplier hearing of a contract for a ship or an offshore installation between a project owner and a shipyard might be an example of this in the context of the marine equipment industry. In this instance the supplier might know it is a preferred vendor with the project owner, but is not aware whether or not the shipyard is or will consider their product.
5. **Mutual consideration**: Both seller and buyer are considering each other for a project. This status corresponds with the *considered* status in the model of Edvardsson et al. (2008). A *mutual consideration* status therefore occurs when representatives from both parties discuss objectives and scope of an assignment. From here, processes towards an agreement can be instigated.

The statuses *buyer considered* and *mutual consideration* differs from the *considered* status in the model in Edvardsson et al. (2008). The considered status occurs when the objectives and scope of an assignment is co-developed (Edvardsson et al., 2008). In this model the considered statuses occur when a project as defined in section 1.2 is already developed. The reason for this is to adapt the model to take into account the activeness and intentionality dimensions. The model aims to describe a status where the seller is considering a specific project without cooperating with the buyer on this project. In this case the project as defined in section 1.2 has had to be already developed by the buyer. The model is also adapted to describe the initiation of a project relationship in the petroleum business, where potential projects are the basis for almost all inter-organisational interaction. In order to clarify the distinction between statuses 2 and 3, and 3 and 4, I have defined statuses 3 and 4 to concern consideration of a project as the term project is defined. The agreement status will for the sake of this research be defined by a project contract.

Following Aarikka-Stenroos (2008), two key features of the different possible ways of transitioning toward a business agreement in the model is denoted by *active* or *reactive*, and *intentional* or *unintentional*. A transition is defined as **active** if the seller is an active part in initiating the transition, and reactive otherwise. The transition is defined as **intentional** if the seller enters the transition process with the intention of obtaining the situation that describes the next status (can be any status), and unintentional otherwise.

The 12 ways of progressing (forward) through the statuses, denoted a-l:

Status ↔ status	Transition	Description	Intentionality / Activeness
1 ↔ 2	a	The seller discovers the buyer in an intentional effort. The seller is looking for a potential buyer and finds one. The seller is the active party. This transition can be the first part of beginning number 8 in Holmen et al. (2008).	Intentional Active
	b	The seller discovers the buyer unintentionally. The buyer is not discovered in an effort where the goal was to find a potential buyer. The seller is the active party.	Unintentional Active
2 ↔ 3	c	The seller contacts the buyer. The seller is the active party and the process leading to a mutual recognition is intentional. This transition corresponds to beginning number 2 in Holmen et al. (2005).	Intentional Active
	d	The buyer contacts the seller. The seller is a reactive party and the process leading to a mutual recognition is unintentional. This transition corresponds to beginning number 1, 4 and 5 in Holmen et al. (2005).	Unintentional Reactive
1 ↔ 3	e	The buyer contacts the seller, and in the process makes themselves known to the seller. The seller is a reactive party and the process leading to a mutual recognition at the time it does is unintentional. This transition corresponds to beginning number 1, 4 and 5 in Holmen et al. (2005).	Unintentional Reactive
	f	The seller and buyer are made aware of each other at the same time, either through some form of direct contact or through a third party. The seller can be an active or reactive party and the process is unintentional. This transition corresponds to either beginning number 3, 6, 7, 10 or 11 in Holmen et al. (2005).	Unintentional Active / reactive
3 ↔ 4	g	The seller decides to consider a specific project with the buyer. The seller is the active party and the process is intentional.	Intentional Active
4 ↔ 5	h	The seller signals their interest in the project. The seller is the active party and the process is intentional.	Intentional Active
	i	The buyer signals their interest in engaging the seller in the project. The seller is a reactive party and the process is unintentional.	Unintentional Reactive
3 ↔ 5	j	The buyer signals their interest in engaging the seller in a project not previously considered by the seller. The seller is a reactive party to the buyer's activity. The process is unintentional because the buyer's signal completes the transition, however long the seller chooses to consider the project.	Unintentional Reactive
	k	The seller and the buyer develop a project together. The seller is an active party and the process is unintentional. The project is not pre-intended, but a result of the process.	Unintentional Active
5 ↔ 6	l	Processes potentially leading to an agreement, such as tenders, clarifications and negotiations. This process is intentional and the seller is an active or reactive part.	Intentional Active / reactive

Table 7: 12 ways of progressing forward through the model of project relationship initiation

In addition to the ways the seller can transition forwards through the statuses in the model, the seller can also transition backwards. An example of this might be from a mutual consideration to a buyer

considered status. The buyer might have stopped considering the seller, temporarily or permanently, with or without informing the seller. The seller might then either still work for an agreement or deem the project lost and transition further back to a mutual recognition status. The seller might in another example transition directly from a mutual consideration to a mutual recognition status by being the part that draws out of discussions. In some of these backwards transitions it might be interesting to investigate whether the seller is an active and intentional part, but that is beyond the scope of this research. The backwards arrows are therefore only included to signify that there indeed are backwards transitions building on the model in Edvardsson et al. (2008).

The converters and inhibitors are the forces causing both forward and backward transitions, and are thus present at every forward and backward transition in the model. It is, however, reasonable to suggest that different converters and inhibitors will work with different effect for the different forward transitions. The transition denoted *a* might for example be driven by the seller's network, in which to actively ask for recommendations, or the buyer's visibility online. The transition denoted *e* might on the other hand be driven by the seller's visibility online, or reputation among previous buyers. The transition denoted *g* might be driven by the seller's ability to monitor buyer's activity or future prospects, either through information search, studies or the ability to question the buyer directly. Whereas the transition denoted *k* might be determined by the seller's service offering in terms of what they are willing to invest in meeting activity and understanding the buyer's problems.

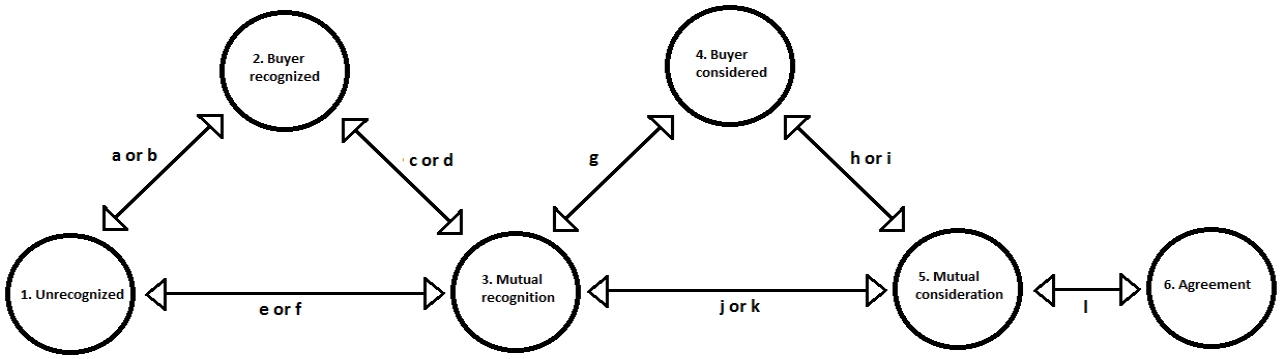

Figure 4: New model of relationship initiation showing statuses and possible forward transitions

3.6 SUMMARY OF THE LITERATURE REVIEW

In this literature review of relationship development we see that the stages models that were proposed early on have received criticism for their assumptions and international applicability. This led to further research proposing that relationships develop in unpredictable states. Batonda & Perry (2003) built a six states model adding a dormant state to a synthesised model of various popular stages

models. Since then, researchers have utilised the six states model and the implications of Batonda & Perry's research (2003) to investigate different processes and applications. In the case study I will utilise the six states model of Batonda & Perry (2003) on qualitative data gathered about projects between the case companies and South Korean shipyards, in effort to understand how their relationships develop.

Researchers have investigated the initiation processes with different approaches, among them the view of initiation as a part of relationship development. However, studies on relationship initiation as a separate subject has been lacking before Holmen et al. (2005), followed by Aarikka-Stenroos & Halinen (2007), Edvardsson et al. (2008). Aarikka-Stenroos (2008) built upon research both from Holmen et al. (2005) and Edvardsson et al. (2008). Edvardsson et al. (2008) presents a model that conceptualises the dynamics of relationship initiation process in service-dominant settings. It is highly interesting to further investigate this model since oil and gas service companies are highly reliant on selling services and co-creation of offerings. Aarikka-Stenroos' key features (2011), partly based on Holmen et al. (2005) and Edvardsson et al. (2008) gives further insight into the dynamics of the relationship initiation processes. Based on this literature review, the Edvardsson et al. (2008) model was expanded and the active vs. reactive, and intentionality vs. unintentionality dimensions were incorporated.

4 4. METHODOLOGY

The research conducted in this project involved a literature review and based on this, development of a theoretical framework. The theoretical framework was utilised to analyse the data gathered from interviews of the respondents in the case companies. A comparative case analysis is utilised to further the analysis of the findings in Rolfsen (2013) and the research for this thesis.

4.1 CASE STUDY

In Thomas (2011, pp. 513) a case study is defined as:

"Case studies are analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods."

This thesis is utilising case studies of four Norwegian companies. Three of the companies are marine equipment supplier companies: Jotun, TMC and KM. For each of these companies, one ongoing

project is analysed based on interviews with project managers and other company representatives involved in the projects. The research will aim to answer the research questions by investigating the companies' interactions with two shipbuilding companies in three separate projects. The last case company is the oil and gas service company Aibel. For this company, two projects with two separate oil companies were analysed during the fall of 2013.

As described in section 3, the concept of relationships can be studied from multiple perspectives and encompasses socio-psychological phenomena. This research aims to investigate processes defined by the interactions between specific companies, and as such interactions between the groups of people that make up these companies. A case study approach that "answer questions about particular, localised occurrences or contexts and the perspectives of a participant group toward events, beliefs, or practices" (Yin, 2009) will therefore be a suitable approach. The research question is also framed as a how and why question, and focuses on contemporary events and can therefore be answered by a case study (Yin, 2009).

The models that make up the theoretical framework is utilised for a within-case analysis of the separate case projects. This process is aimed at becoming intimately familiar with each case as a stand-alone entity. The within-case analysis allows the unique patterns of each case to emerge (Eisenhardt, 1989). According to Ayres et al. (2003), within-case analysis alerts an investigator to the presence of key elements in the data and helps to recontextualise the ways key elements vary in individual circumstances. This is an important step in the analysis before patterns can be generalised across cases (Eisenhardt, 1989).

4.1.1 Comparative Case analysis

The case analysis of the marine equipment companies' projects will be compared with the findings in Rolfsen (2013) partly utilising a dynamic-comparative case study method. The findings in this project drew from a very similar methodology of case study. The result of this comparison will be further analysed revisiting the whole of the literature review in section 3 and the research context in section 2.

According to Eisenhardt (1989), tactics to avoid premature conclusions as a result of information-processing biases include the search for similarities and differences. This can be done by pre-selecting categories of cases, dimensions for analysis, or analysing cases in pairs. The idea behind cross-case searching tactics is to force investigators beyond initial impressions, improving the likelihood of

accurate and reliable theories. This thesis will expand on the within-case analysis described in the previous section with a cross-case analysis to compare the different cases. The cases are divided into the two categories of construction projects and marine equipment projects. The cross-case analysis will be an iterative process, where key elements of the within-case analysis will form the basis for the cross-case analysis, and shape the focus of the project descriptions. In addition to a cross-case analysis based on the within-case analysis, the resulting findings will finally be analysed in relation to the research context presented in section 2 and 3.1.

Following the dynamic-comparative case study method, this comparison investigates contemporary processes and mechanisms that are the basis of actual events and empirical experiences (Fox-Wolfgramm, 1997). This analysis will investigate the interplay between different institutional and organisational contexts, as is advised in Yin (1989) and Ropo & Hunt (1995). The context for the cases in Rolfsen (2013) are projects situated in the company's home country. The context for the cases investigated in this thesis are projects in South Korea involving the companies' local subsidiaries. In addition to these differing context, there is also a difference in industry context. While both industries can be categorised within the shipbuilding industry, the cases in Rolfsen (2013) fall within the oil service industry and the cases in this study fall within the marine equipment industry.

4.1.2 WHY INTERVIEWS?

Interviewing is a basic mode of inquiry, and recounting narratives of experience makes sense of people's experiences (Seidman, 2013). Storytelling gives access to the most complicated social and educational issues, because these are abstractions of people's concrete experiences (Seidman, 2013). Interviewing can therefore serve to uncover the experiences of people involved in the interactions and exchanges that define a business relationship. It can also help the interviewees make sense of their experiences, which in turn, recorded by the interviewer, will be of great value to the research. Interviews will also uncover information that is not written or publicised, providing a stronger basis for analysis. According to Barriball & While (1994), face to face contact with researcher, can motivate informants who would otherwise not bother with a questionnaire.

4.2 SELECTION OF CASE COMPANY

As this thesis sought to research Norwegian companies involved in the marine equipment industry with subsidiaries in South Korea, there were a limited amount of options. I contacted marine equipment supplier companies with subsidiaries in South Korea during the spring and summer of

2014. Jotun, TMC and KM showed interest in my research and we agreed to cooperate on the research. As I wanted to research these companies' relationships with South Korean shipbuilding companies I asked the informants to suggest a project with one of these. For each company I chose to examine one current project to make sure the data would be contemporary and relevant to the background of the research. For TMC and KM I chose to examine projects with DSME, and for Jotun I chose to examine a project with HHI. Jotun, TMC and KM produce and deliver different marine equipment and the projects therefore differ in deliverables, size, and value. The departments that are involved in the projects from the shipbuilding companies also differ.

The theoretical framework was developed in an iterative process where the result and analysis of the case study caused changes to the models utilised, and the changes in the models caused a revision of the analysis. The models were adapted to facilitate the choice of projects as the frame of the relationships. The iterative process followed the systematic combining process developed in Dubois & Gadde (2002). The goal was to match the development of the theoretical framework with the reality uncovered in the case study and to improve the ability of the models to answer the research questions. At the same time, the models have a firm basis in existing research, and remain general enough to serve further research on similar business relationships. The literature review served to create a theoretical foundation, ensuring a theoretical validity with the correct use of terms, concepts and models (Dalen, 2004).

The research questions concerns the relationship between the marine equipment companies and the client in the respective case projects. The marine equipment companies are chosen as the focal firm for the research and therefore provides the perspective to view, and gather information about, the projects. According to Halinen & Törnroos (2005) the outer limits of a network is based on the key informant's perceptions and understandings. This means that the network of individual actors involved in the projects, is defined by the informants chosen for each project.

4.3 CHOICE OF INTERVIEWEES

The aim was to interview project representatives from the companies that had information about as many processes in the project as possible, and that had been a part of the processes before the contracts where agreed. As the initiation phase of the projects are emphasised in the research, the earlier processes were especially important. This would give me a chance to collect data that could best help answer the research questions. I informed the companies of the aim of my research, and what kind of information I was looking for. In this process, all of the companies recommended that I interview the

sales managers. They would most likely be the persons with most information of the initiation phase of the projects, and they would also have sufficient information about the project stage for my aim.

4.3.1 ROLE OF THE INTERVIEWEES

Jotun

Mr Sunghwan Lee is the sales manager for the offshore division of Chokwang Jotun. This makes him responsible for all Chokwang Jotun's offshore business in South Korea. He is the project manager of the Goliat project along with around 40 other ongoing offshore projects.

Mr Woohyun Bang is one of the coating advisors for Jotun in the Goliat project. He is stationed at the site office in Ulsan, working closely with HHI at their shipyard.

TMC

Mr Tom Erik Ranheim is a sales manager in TMC. He has been working with the South Korean market since he entered the company in 2002. His role in the Transocean project is multifaceted. He is the project leader on the sales side and is leading the discussions and negotiations with DSME on both technical and commercial side. He is the point of contact in TMC for DSME in the project.

KM

Mr Jan Simonsen is a sales manager for offshore business in Kongsberg Maritime. Mr Simonsen is the project leader on the commercial side of the project. In the initiation part of the project he led the discussions with DSME as well as other shipbuilding companies. This included the clarification of technical specifications and the negotiation of the commercial specifications.

Aibel

Mr Bruce McPherson is the project manager for the TPC project. He is responsible for mobilising the project, ensuring that Aibel has all the right resources in the project, that everyone understands the execution strategy. He is also responsible for the Health, Safety and Environment (HSE), that the quality is in accordance with the contract, and that the schedule for the project and financial goals for Aibel are met.

Mr Arild Refsland has been the contract director of the GEMC project since December, 2012, when he took over for the previous contract director. His responsibility is to administer the project-portfolio.

He is Aibel's representative towards the client, and he has the formal responsibility for the product that is delivered.

The sales managers in TMC and KM could offer answers to all interview questions, and because of this I did not ask to interview other representatives. Regarding TMC, I chose to interview Mr Ranheim a second time to ask more follow-up questions regarding the Transocean project. The sales manager in Jotun, also had satisfactory knowledge to share about the initiation phase of the Goliat project. However, as I wanted to ask questions about the project stage and how the coating advisors were working, I asked to speak with a second person. At this point I was recommended by Mr Lee to speak with Mr Bang. The two representatives' information complemented each other well, as Mr Lee had extensive knowledge of the initiation phase, and Mr Bang could fill in were there was need regarding the project stage.

4.4 THE INTERVIEWS AND RESEARCH METHODS

In order to ensure the reliability of the analysis of the interviews, the informants, the interview situation and process, and the analytical tools are described in detail in this section (Dalen, 2004). The interview situation and process covering the Aibel interviews are described in Rolfsen (2013).

All five interviews followed a semi-structured format, where an interview guide was prepared. The development of the interview guide followed "funnel-principle" discussed in Dalen (2004). The initial questions were broad and opened for reflections on a broad range of the research topics. Later questions narrowed down to seek more detailed information about specific central topics. The questions were designed to be open-ended, unambiguous and non-leading to ensure precise and full answers, strengthening the validity (Dalen, 2004). Relationship initiation and development processes involve individual relationships and opinions, and semi-structured interviews "are well suited for the exploration of the perceptions and opinions of respondents regarding complex and sometimes sensitive issues and enable probing for more information and clarification of answer" (Barriball & While, 1994, pp. 330). The possibility to clarify answers and probe for additional information strengthen the validity of the research (Kvale, 1996). The questions in the interview guide were linked with the research questions.

Effort was made to accommodate the interviewees' convenience in terms of when and where the interviews were held. Four interviews were conducted at the interviewees' work place or a preferred

place during a period of their choice. The second interview with Mr Ranheim was conducted via the video conference tool Skype during a period of his choice as he was situated in Norway at the time. All interviews were conducted in a face to face setting. Before the interviews, the interviewees' were briefed about the purpose of the interview, to establish the motivation for the interviews and the interviewees' trust in the motives (Kvale, 1996). The interviews started with questions about the interviewee's role in their company and the project and general questions about the company's subsidiary. This allowed the interviewees to talk about themselves. All interviewees answered all the questions I asked and looked comfortable in the situation and with spending the time the interviews took. I did not intentionally interrupt the interviewees and waited for a break to ask follow-up questions. This resulted in a number of digressions, as to the intension of the questions, but most of the information stayed on topic. The behaviour of the interviewees showed characteristics of them being good respondents (Barriball & While, 1994). I and the interviewee were the only ones present during all interviews, and all interviews went uninterrupted. The interviews were rounded off by asking the interviewees' whether they had anything they wanted to talk about. This gave the interviewees' an opportunity to deal with potential issues they had been worried about or thinking about during the interviews (Dalen, 2004).

For all interviews I had my laptop computer open and utilised the laptop's integrated microphone and a free recording software Audacity to record the interviews. I informed all interviewees before I began the interview that I would make a recording. According to Barriball & While (1994), audio taping will help the validation of accuracy and completeness of the information collected, and reduces the potential of interviewer error. During the interviews I ensured all interviewees that they would have an opportunity to proof-read the information that was included in this project paper before finalisation. All interviewees told me that they would answer follow-up questions via email. For all the interviews I wore business casual attire. A good self-presentation of an interviewer, in terms of dress, etiquette and manner, can help overcome potential socio-economic, education and age biases (Barriball & While, 1994).

I conducted two interviews with the sales manager in TMC, Mr Tom Erik Ranheim. The first interview was conducted in TMC's subsidiary office in Busan, South Korea. This interview lasted one hour and ten minutes. The second interview was conducted via the video conference tool Skype, as he was situated in Norway at the time. This interview lasted 45 min. Both interviews were conducted in Norwegian. The interview with the sales manager of Chokwang Jotun, Mr Sunghwan Lee, was conducted in a conference room in Jotun's subsidiary headquarter outside of Busan, South Korea. The interview lasted one hour and was conducted in English. The interview with the coating

advisor in Chokwang Jotun, Mr Woohyun Bang, was conducted in Jotun's site office near the project client's shipyard in Ulsan, South Korea. This interview was conducted in English and lasted one hour and five minutes. The final interview with the sales manager of Kongsberg Maritime, Mr Jan Simonsen, was conducted in an executive lounge in the Grand Hyatt Hotel in Seoul, where he was staying at the time. It lasted one hour and five minutes and was conducted in Norwegian.

4.5 ANALYSIS OF DATA

All interviews were transcribed in their totality, resulting in roughly 70 pages of raw data. The data was sorted into process and activity categories corresponding with the different states in the six states model, and the statuses and transitions in the model for project relationship initiation. Sorting and categorising is one of the main activities in the dynamic-comparative case analysis method in Fox-Wolfgramm (1997) and provides a necessary basis for analysis of patterns and key elements. After a preliminary analysis utilising these models, the data was sorted chronologically and summarised, resulting in the case descriptions. The case descriptions aims to give the reader a general understanding of the various processes in each project, but also aided the research by providing a chronological overview of the different projects. This overview also helped to identify potential missing information in the raw data. The activity and process categories were repeatedly searched for new information to avoid overlooking information. After the identification of transitions between statuses in the model for project relationship initiation, the raw data for searched for activities linked with these transitions, resulting in the analysis of inhibitors and converters. The key elements that emerged from the within-case analysis were emphasised in the subsequent analysis. These key elements made the basis for the subsequent changes to the case description and provided a connecting thread throughout the thesis. After the within-case analysis of the different cases utilising the models, the different within-case analysis were compared in a cross-case analysis.

The literature review revealed that the six states model developed in Batonda & Perry (2003) was a good choice of model to aid the analysis of Aibel's project relationships. After the interviews were conducted, and the analysis of the project relationships began, it became clear that parts of the model did not aid this analysis. The six states model seemed more fit to describe a buyer-seller relationship with ongoing transactions outside the frame of a project, than a project relationship. Parts of the model were therefore revised during the analysis and developed to aid the understanding of the development of a project relationship. Activities were exempted and included based on the nature of the relationship and with a basis in the analysis of the activities in the six different stages models.

The model of initiation developed in Edvardsson et al. (2008) was chosen as the basis to develop a new model fitting the perspective of the seller. Further literature review revealed the significance of the research in Aarikka-Stenroos (2008), building on Holmen et al. (2005). In an effort to base the research in this project on both contributions, the model was expanded and developed to include new dimensions.

4.6 REFLECTIONS ON METHODOLOGY

Researcher's role

The research was performed by only one researcher. The researcher has no special interest in any of the companies included in the research. Dalen (2004) points to the benefits of cooperating with, or including other researchers in some processes of the research, to control the subjectivity of the findings. In this regard, the subjectivity can be weakened by the absence of other researchers.

Selection of case companies and case projects

Acquiring data from only three case companies limits the basis to analyse project relationships between Norwegian marine equipment companies and South Korean shipbuilding companies. The choice of one case project for each company further limits this basis. Likewise, the utilised data from only one case company and two case projects limits the basis to analyse project relationships between Norwegian service companies and petroleum companies.

All of the chosen case projects were not finalised or terminated at the time of the interviewing process, and all projects were in fact awarded to the case companies. The selection therefore does not show the termination stages of projects and does not include cases that ended without contract agreements. The analytical generalizability is weakened when the findings from the research have less usability in other situations (Kvale, 1996). Strengthening the generalizability is the variety the chosen projects represent.

Selection of informants

I chose to interview the sales managers of the three case companies. Two of these sales managers also had roles as project managers for the case projects. These informants were recommended by the case companies in relation to the needs I communicated with the contact points in the companies. An assumption was made that the companies' choice were in my best interest, but they could still suffer from bias. At the same time, it provided easy access and could increase the willingness of the informants. In addition, these informants were thought to have extensive knowledge of the initiation

phase of the projects. For the Goliat project, I chose to interview a second informant to acquire additional information about the project stage. This informant, Mr Bang, was selected based on a recommendation from the first informant, Mr Lee. In the other two projects, it proved challenging to arrange interviews with a second informant. This was mainly due to location of the informants at various time periods. The sales managers had good knowledge of the project stage in relation to the interview aim, guide and questions. However, on a few detailed follow-up questions they had difficulties with answering. In addition, other useful information could have remained undiscovered due to the limited number of informants and their roles.

Maturation

While the projects that were selected were ongoing when the interviews were conducted, some of the questions and data gathered are concerning events that took place up to several years ago. According to Campbell & Stanley (1963), processes operating within a respondent as a function of the passage of time per se, are threats to the internal validity of a study. Examples of one of these functions can be the forgetting of information, or the retrospective bias, where informants remember past events in more favourable terms (Seidler, 1974).

Translation of interview

The interviews concerning the Transocean project, the Songa Offshore project, and the GEMC project, was conducted and transcribed in Norwegian, and the data included in this project from that interview has therefore been translated. The chance of information getting lost or distorted in the translation might have affected the analysis of this data.

Audio recording

The interviews were audio recorded to strengthen the descriptive reliability of the data collected (Maxwell, 1992). The fact that the interviews were only transcribed by one person might have affected this reliability negatively (Kvale, 1996). However, the interviews were transcribed within a week after they were conducted, by the same person who conducted them. Because of this, the transcriber had memories of the interviews as well as the audio tapes to further validate the content. Noise in the rooms the interviews were conducted affected the quality of the small parts of the audio recordings. This rendered a small amount of the interviews inaudible in transcription, and these parts of the interviews were consequently not analysed. The audio recordings, as discussed in section 4.4 still contribute greatly to the reliability of the data gathered.

5 CASE DESCRIPTIONS

This section will present the findings for each of the case projects investigated with the case interviews. Secondly, the construction projects investigated in Rolfsen (2013) will be presented. The descriptions will focus on key occurrences discovered by the interviewing process. These key occurrences will be analysed utilising the theoretical framework from in the next section.

5.1 THE GOLIAT PROJECT

The Goliat project is a project that describes Jotun's delivery of paint to the South Korean shipbuilding company Hyundai Heavy Industries (HHI). The paint is a part of HHI's construction of a floating production, storage and offloading platform (FPSO) for the project owner ENI Norway (ENI).

Jotun's subsidiary in South Korea

Chokwang Jotun Ltd. was founded as a joint venture between Jotun and Chokwang Paint in 1988. The headquarter is situated in South Korea's second largest city, Busan, close to the largest shipbuilding companies' shipyards in Ulsan and on Geoje Island. In addition, the company has four site offices in South Korea. The company has around 300 employees, out of which four are foreigners and the rest are South Koreans. In addition, people from different departments of the headquarter organisation in Norway travel to the South Korean subsidiary in general every week.

Chokwang Jotun is responsible for business development in South Korea, sales, manufacturing of paint, and R&D. All subsidiary policies are dependent on the headquarter organisation in Norway, and the subsidiary is described as "not very independent from headquarter organisation". The headquarter organisation is very familiar with the business environment in South Korea and the yards. This mitigates communication problems between HQ and subsidiary.

The project contract

Jotun and HHI have signed one project contract for this project, and there has been no changes or amendments to this contract since it was signed. The contract specifies a price per litre of paint for each of the paint products that Jotun delivers. Since the final consumption of paint is unknown, the contract value is therefore not specified.

The initiation phase

Two key points are highlighted in the initiation phase of the Goliat project. Firstly, Jotun and HHI

were familiar with each other, having worked together for many years on a number of other projects. According to Mr Lee, Jotun have continuous project activity with HHI and have cooperated with them many times in the past. Mr Lee knew most of the people he is in contact with from HHI before the project, and this is also the case for the coating advisors. The relationship between the companies secured Jotun a place on the AVL once HHI were awarded the contract. This AVL was constructed by HHI in cooperation with ENI. In addition to Jotun, three companies were included in the AVL for the delivery of paint. The relationship also caused HHI to contact Jotun six months to one year before Jotun was awarded the contract asking for technical information on the paint products and quotations.

Jotun knew about ENI's plans to construct the FPSO before the construction contract was awarded to HHI. Their knowledge of these plans were based on information from their network (including yards, sales departments and business development department), internet and reports. This network also includes their relationship with HHI. According to Mr Lee this was one to two years before Jotun made the bid for the delivery of paint. The potential of HHI being awarded the contract was recognised and the work to secure the project was begun. At this point they took contact with and had meetings with ENI to recommend their products and inquire about the specifications for the construction. Based on these specifications they also started the developments of paint solutions.

The second key point of the initiation phase was the high meeting activity Jotun had with HHI to develop the specifications of the contract. In the process Jotun headquarter organisation in Norway visited HHI in South Korea and Jotun's subsidiary also visited ENI in Norway. Jotun received a document with the required specifications for the paint from HHI, and submitted a document in return with technical points and product recommendations. Following this, Jotun had around 30 meetings with HHI and around ten meetings with ENI before signing the contract. The final negotiation meeting Jotun had with purchasing department of HHI established the final prices in the contract, and the final technical meeting with HHI is described as especially and very important. In Jotun, the Sales Account Responsible for HHI normally led these meetings and reported to Mr Lee. The purchasing and paint department in HHI was normally the ones involved from HHI's side. During the discussions between the parts, HHI suggested changes to the specification to ENI based on Jotun's recommendations. The changes were reduction of the quality on some of the paint products. The changes that were suggested did not materialise in the project as ENI rejected them.

After rounds with technical discussions and price negotiations, Jotun and HHI signed the contract for the project in 2010.

The project stage

The key point to highlight in the project stage of the Goliat project is the occurrence of delays, which has exacerbated other issues and called for joint conflict solving efforts. Engineering-, design- and construction problems have caused the construction of the platform to be delayed for around one and a half years. In terms of the delivery of paint this has not caused a problem for the project. Jotun is however providing technical support during the construction and have four coating advisors working with HHI and ENI's site office. The additional one and a half years that Jotun supply this support is not compensated in the project contract.

Especially during the winter seasons, HHI have had problems with the drying time of the paint and have asked Jotun to reduce the standard of the paint to alter the minimum drying temperature. This has been an ongoing issue in the project and the companies have meet numerous times to resolve this conflict.

In addition to the coating advisors, Jotun have people from the sales department, marketing department as well as technical support working on the project. HHI have around 30-40 people involved from various departments such as sales, project management, quality assurance and paint design department. At the current stage in the project, Jotun is in contact with around 30-40 people from multiple departments in HHI. The parts communicate regularly via telephone, e-mails and meeting activity. The project management teams of Jotun and HHI meet once week, while the coating advisors meet every day with other people involved from HHI at the yard. This contact activity has remained more or less the same since the contract was signed.

Jotun has offered small quantities of non-contracted paint product free of charge to HHI: “Sometimes they are asking for small quantities of a product that is not in the contract free of charge … We supply this because of the good relationship”.

Inter-organisational activities

One key point regarding the inter-organisational activities between Jotun and HHI is the scarcity of official socialisation. During the initiation phase of the project ENI prohibited social activities between the project parts, and HHI's own regulations also made these kinds of activities difficult. After the contract was signed, Jotun and HHI have arranged social sport events once or twice yearly including dinner and drinking. This activity started when the contract was signed, and the amount of these activities stayed the same throughout the project. They are described to “improve the relationship”. Unofficially, on the other hand, Jotun's coating advisors socialise with representatives

from HHI normally once a week.

A second key point that is highlighted is that most of the meeting activity between the project parts include few people from the Jotun project organisation. The coating advisors meet with people from HHI's paint department as well as ENI's site office once a day. Otherwise, Jotun and HHI meet once a week, and mainly communicate by e-mail and telephone. Additional meetings activity is planned ad hoc and depends on issues that need to be resolved. In general, the meeting activity between is lower than during the initiation phase. Jotun and HHI had more meetings when bidding for the project than during the construction stage, but there have been many challenges, problems and issues during construction stage that has required more meeting activity.

The meeting activity between the headquarters of Jotun and HHI have stayed more or less the same since the beginning of the project stage. The coating advisors, who have most contact with people from HHI, was stationed at the beginning of the project with the signing of the contract. The overall contact activity therefore increased at this point.

5.2 TRANSOCEAN PROJECT

The Transocean project is a project describing TMC's delivery of compressor equipment to the South Korean shipbuilding company Daewoo Shipbuilding and Marine Engineering (DSME). The compressor equipment is a part of DSME's construction of a drillship for the project owner Transocean.

TMC's subsidiary in South Korea

TMC have been present in South Korea with a sales agent for 15-16 years, and they are still cooperating with this agent. This sales agent is functions as Mr Ranheim's deputy when he is not present in South Korea. TMC's subsidiary office in South Korea was established in December 2011 in Busan.

The office employs four Koreans in addition to the sales manager. Two service technicians and two working with documentation and administration. The main functions of the subsidiary is documentation and service, allowing TMC to change and amend documentation real time and provide service quicker and more cost effective.

The project contract

The project contract is mainly formed by DSME and specifies the delivery of a number of machines for a fixed price and delivery time. Payment is specified as 100 % Letter of Credit. Due to the long process of negotiation, the delivery time was changed since the contract was signed. Apart from that there has been no changes to the contract.

The initiation phase

Two key points are highlighted in the initiation phase of the Transocean project. The first one is the existing business relationship between TMC and DSME. TMC have worked on projects with DSME since the start-up of the company in 1996. In recent years, they have had as much as 80 % of DSME's projects. The Transocean project is a repetition of previous projects with the same owner and shipbuilding company. The first project was awarded to TMC in 2008, and the last drillship was constructed two years ago. The current drillship is a new order, and not a part of an option. TMC prefer projects involving international companies rather than national (for example South Korean) companies. In addition, previous experience and an existing good relationship are important criteria for TMC to decide whether to bid for a project.

Chevron and Transocean signed a contract for Transocean to build a drillship for Chevron to rent, and a number of shipyards were in contention for the project. In order to calculate a price for the construction of the ship DSME contacted TMC HQ organisation in Norway before tendering for the project asking for a budget price for the required compressors.

Transocean and DSME signed the contract for the construction of the ship in October 2013. At this point, TMC knew about the project and started working on it, anticipating an inquiry from DSME. In cooperation with Transocean, DSME constructed an AVL with the subcontractors they could contract. Based on preferences relating to price, technical ability and service the companies assessed these partners and agreed on the list, including TMC. In spite of the fact that TMC have delivered equivalent products to an equivalent ship with the same partners, the specifications were determined separately for this project. The potential different people dealing with these specifications at DSME is one of the reasons for this. This process began with the inquiry from DSME specifying among other the type of equipment, amount, options and classification.

The early contact with DSME regarding the project, the inclusion in the AVL, and TMC's anticipation of an inquiry from DSME all stem from the existing relationship between the companies.

The second key point to highlight in the initiation phase is the extensive process leading to the contract agreement. TMC evaluated the project specifications and responded to the inquiry with terms and conditions, and quotations. Following the bid, DSME evaluated the offer and entered a round of technical discussion with TMC. This round consisted of exchange of documentation as well as negotiations per face-to-face meetings, telephone and e-mail. After the technical specifications were clarified the companies entered commercial negotiation. This process lasted for "several months", and the contract was signed in September 2014.

The project stage

The key point highlighted in the project stage of the Transocean project is the occurrences leading to a change in the delivery date. TMC has had to change the delivery date for the project due to how late the contract was agreed. TMC had to change the delivery date for the compressor equipment. TMC contacted DSME after inquiring with their subcontractors for early delivery and discovering the need for a postponement: "We did what we could to reduce the delivery time according to the wishes of the yard … We took contact with our subcontractors to figure out whether they could deliver faster than usual". The changes were communicated and agreed via telephone and e-mail. Apart from this, there has been no special challenges so far in the project.

After the contract was signed, a number of new departments at DSME has taken over the responsibility for the project. On TMC's side the project leader on the technical side has the responsibility. These were in regular contact until the production of the equipment was begun. Because of the prolonged negotiation phase, TMC have had to rush the production phase.

Inter-organisational activities

One key point that is highlighted regarding the inter-organisational activities in the Transocean project is the low meeting activity and socialisation between the companies. At this point in the project there is no fixed meeting activity between TMC and DSME. TMC receives monthly and occasionally weekly updates on all the orders that DSME have with them. The communication occurs per e-mail, and meetings are established ad hoc if there are unresolved occurrences. Since the contract was

signed, Mr Ranheim has visited DSME's shipyard two times. These visits have, however, not specifically been in connection with the project. As sales manager, Mr Ranheim is continuously building relationships with people from DSME and “tries” to visit the South Korean subsidiary once a month. This is an effort to make these people want to engage him, and thus his company, in projects. As a salesman, “this [his person] is what I must sell first”. Mr Ranheim knew people involved in the project from DSME before the initiation of the project.

Currently, TMC is participating in two biennial exhibitions for the marine industry in South Korea. This is providing TMC and Daewoo a chance to promote their products and opportunities to each other. TMC also use the industry exhibitions in South Korea to develop and build personal relationships and access people higher in the hierarchical systems of the South Korean companies. During these events TMC also invite DSME as well as project owners for dinner. The Norwegian profile of the company and the brand value of different Norwegian products such as aquavit and salmon are actively used during these social activities.

The informant visits DSME's shipyard regularly as a courtesy as well as to update and get updated on business opportunities. TMC also invites DSME to their office and factory in Norway whenever they are out travelling. In South Korea, TMC's representatives are occasionally invited for lunch at DSME's shipyard. TMC likewise tries to invite DSME representatives for lunch, but DSME rarely allows for it.

TMC experience that the personnel from the different shipbuilding companies can be different to work with. While they can be forefront and use humour with some, other require a more serious and factual approach.

5.3 THE SONGA OFFSHORE PROJECT (KONGSBERG MARITIME)

The Songa Offshore project is a project describing Kongsberg Maritime's delivery of marine automation systems to the South Korean shipbuilding company Daewoo Shipbuilding and Marine Engineering (DSME). The automation systems are a part of DSME's construction of drilling rigs for the project owner Songa Offshore.

KM's subsidiary in South Korea

KM have had a presence in South Korea since the 1980's including a cooperation with the Hyundai conglomerate in the 1990's. Kongsberg Maritime Korea (KMK) was established as a wholly owned subsidiary of Kongsberg Maritime around year 2000. The current headquarter in South Korea was established in 2007 just outside of Busan. In addition, KMK has three site offices close to the largest shipyards in South Korea in Ulsan, Jellanam-do, and on Geoje Island.

The main functions of the subsidiary are sales, support, commissioning and training services. On offshore projects engineering is utilising the subsidiary and the headquarter organisation in Norway, while project management, administration and financing is handled from Norway. Commissioning is mainly handled by the subsidiary. The subsidiary allows contact with the South Korean customers on a daily basis. KMK employs 260 people, out of which there are six Norwegians.

The project contract

The project contract is divided into a technical part and a commercial part. The technical part consists of a scope based on the specifications from Statoil to Songa Offshore and from Songa Offshore to DSME. In addition there are some technical clarifications. The commercial part consists of prices and terms, as well as what services KM must provide.

The detailed specifications in the project was clarified during the engineering stage of the project. This led to a number of changes to the contract that have been handled as variation orders. One of the big changes to the specification concerning operation consoles led to a revised contract.

The initiation phase

As with the other two projects investigated, the existing relationship between the partners is a key point in the initiation phase of the Songa Offshore project. This relationship prompted an early contact between the parts. When Songa Offshore (Songa) won the contract with Statoil they inquired different shipbuilding companies to make a bid for the construction of the rigs. At this point DSME took contact with KM and inquired about prices for equipment based on the specifications from Songa. When DSME was selected by Songa, they constructed a more detailed specification and asked KM to bid for the project. General Electric was KM's only competitor for the project.

Another key point was KM's early commitment to and engagement in the development of the project. KM gained knowledge of Statoil's Cat-D concept for offshore rigs more than a year before they signed a contract with DSME for the project. KM was also in meetings and contact with the Swedish company Götaverken Arendal (GVA) who had the design of the concept. It is important for KM to keep up business with Statoil, and the fact that this project was highly prioritised by Statoil made it especially attractive for KM. When Statoil invited ship owners to bid for the rigs, KM expected that the construction contract would be given to a South Korean shipbuilding company.

A third key point in the initiation phase is the prolonged meeting activity. After KM delivered their bid for the project, the parts had meetings to clarify the technical specifications. These meetings lasted three days, which Mr Simonsen described as especially long compared with the one day it usually takes. The contract for the project was agreed in the beginning of 2012.

The project stage

One key point that is highlighted in the project stage is the occurrences that has been caused by delays to the project. DSME has had several delays in their construction project. This is a challenge for KM given the fixed price in the contract and the prolongation of the project stage they are causing. The delays have also caused changes to the construction sequence. While KM had planned to work on the drill rigs successively, the delays forces parallel work on at least two rigs at one time.

At this time the specifications for the equipment is clarified and the project has reached the commissioning stage. KM is supporting DSME in this process on board the drill rigs. Normally, two people per rig is working full time at the shipyard, and between 10-30 people from KM are engaged in the project at various stages. During commissioning, KM usually deploys one to six people on board the drill rigs.

Intra-organisational activities

One key point regarding the inter-organisational activities in the Songa Offshore project is the decrease in meeting activity in the project stage. A majority of the communication between KM and DSME is handled via e-mail or optionally telephone. The project leader is situated in Norway, but meets regularly with DSME in South Korea to follow up. He usually travels to South Korea every

two months. The meeting activity was high before the contract was signed and in the beginning of the project. The meeting activity then went down during the engineering stage of the project.

DSME and KM arranged a “kick off” meeting when the project began, and an “interface” meeting when the interface stage of the project began. These meetings were the starting point of the project stages and featured team building for the involved parties. These meetings also included various social events such as dinners. In addition, KM and DSME have arranged some workshops at DSME's shipyard.

Some of the variation orders during the project stage required negotiations between KM and DSME. During these negotiations KM met with DSME and also communicated via e-mail.

5.4 THE TPC PROJECT

In this project, Aibel is delivering three new modules, M11, M12 and M13, to a platform owned by Statoil called Troll A. The project is owned by Statoil Operations, who have engaged Statoil Projects who manage the work. The project is called TPC and is a continuation of a previous, similar, project called TPK. Mr McPherson's noted that Aibel had been working with Statoil for years and that they currently, and in the past have had several projects with them.

The project contract

The contract for the project consists of a lump sum for preliminaries, and different rates: Rates for procurement services, planning services, cost services, and engineering services, and unit rates and man hour rates. All the engineering and the project services are reimbursable. There are monetary penalties for late deliveries on milestones. The preliminaries are paid over a period of time reflecting the progress of the work, while all the other costs are paid as incurred. Two amendments have been included in the contract. The first came as a result of a change in the design relating to a pedestal crane, from Statoil, late in the design, as well as a late delivery of information from ABB. The next one dealt with the execution change that came with the move of M11 to Thailand. The last amendment took six months to sign from the point where decisions were made to make the execution work. New incentives have been incorporated into these amendments. Examples of these are an incentive for meeting the delivery date on M11, and an incentive for completing the M13 module earlier than planned.

The initiation phase

Aibel, in the position of being one of the two biggest companies of their kind in Norway, have meetings with Statoil, where Statoil tells them about their portfolio. It is in Statoil's interest that Aibel knows about their operations, in order for Aibel to see how they can plan to support Statoil. Aibel followed the TPC project from the very early stages. They were involved in the screening studies. After the screening studies, Aibel cooperated with Statoil on what is called the FEED for the project. The FEED is the front end engineering design, and consists of 50 to 100 thousand hours where the preliminary work is done, which makes the basis for an inquiry. This FEED starts normally at least a year and a half in advance of the award of an Engineering, Procurement and Construction (EPC) contract. The FEED was done over about 12 months, before Statoil sent out an inquiry to Aibel and Aker Solutions. Because of Aibel's previous work with Statoil and their close relationship Aibel was already pre-qualified by Statoil, which normally would be a process before the inquiry. Likewise, Statoil is one of Aibel's preferred clients and Statoil has treated Aibel fairly in other projects.

Mr McPherson did some work on the tender, but as he was tender manager for a different project at the time, he came fully into the process after the tender was delivered, and Aibel were in a clarification process, which is a part of what is called the post-tender stage. In the post-tender stage only Statoil could initiate communication, as they are doing an assessment of the tender. Here, they did a technical and a commercial assessment; they looked at the schedule and the nomination of personnel, and gave a grade. Statoil had three clarification meetings with Aibel, which might have affected the grading. During the clarification process suggested personnel were rejected by Statoil, which meant that Aibel had to suggest new candidates. After this process, Aibel was chosen for the project and awarded the contract in September, 2011. ABB is another company that provides Statoil directly with AC/DC equipment. At the same time ABB are a supplier to Aibel in the project for, among other things, electrical equipment.

Mr McPherson thinks Aibel were chosen over Aker Solutions because of their technical experience in the Asker office, because of their knowledge of the Troll A platform, including personnel that had been working for several years at the platform, and because of their experience from the TPK contract.

The project stage

Statoil wanted the project based in Europe, although Aibel has operations in Thailand. Aibel, therefore planned to do pre-fabrication on structural sections in Poland, the pre-fabrication of "a lot of" the piping in the United Kingdom, and assemble the modules in Haugesund. For the M12 module

they decided to do all of the work in Norway. Aibel awarded two polish subcontractors rather than one based on a concern about the polish market.

When the polish subcontractors were supposed to start the work around August, 2012, they were having problems getting the right resources. After three or four weeks of evaluation, Aibel decided to take some of the work out of Poland. One of the subcontractors, working on M13, who were too slow to mobilise personnel and weren't giving Aibel the right management attention had their contract terminated. The work on M13 was moved to the other polish subcontractor, while their work on M11, as well as the assembly and piping of M11 was moved to Thailand. The reason for this was that ABB wouldn't install the sensitive electrical equipment included in M13 outside of Europe. In addition to this, the remaining piping on M13 was moved to Haugesund because of high rates from the subcontractors in the UK. The changes were discussed with Statoil, who agreed with Aibel that the work in Poland was not satisfactory. Statoil were also concerned about the resources in Norway since there were a lot of projects going on. The M12 module was installed offshore in April, 2013, while the two other modules are still under construction.

Inter-organisational activities

In the first three-four months of the project the teams from Aibel and Statoil had activities to develop the relationship. They had team-building where they got groups together and talked about common goals, the way they liked to work, and the way they were organised. These events included discussions, workshops and presentations, as well as dinners and drinks. Since the initial team-building, Aibel have had few, occasional, social activities with Statoil, like workshops followed by dinner.

Statoil's main project office is in Fornebu, while they have site offices in Asker, Haugesund and in Thailand. In the site offices they have their own personnel situated in Aibel’s offices. This means that a lot of the communication between Aibel and Statoil is face-to-face. The fixed meetings comprises a project manager meeting every two weeks with all the key people from Statoil and Aibel involved in the project, and meetings every week at department level: commercial, planning, procurement, construction and engineering. In addition there are ad hoc meetings when something needs to be discussed. Informal, when for example the project manager goes to talk to the company representative from Statoil at the Asker office, or formal, when a meeting is called for over an IT system called Lotus Notes. Mr McPherson reckons that the ad hoc meetings make up around 50 % of the total meeting activity. An integrated construction completion team (ICC) led by Statoil personnel, but consisting of mainly Aibel personnel looks after the execution of offshore modifications. Aibel had

the impression that the ICC manager was not the right man for the job. He was “not competent”, “too young”, and “not a team player”. He was not interested in having meetings, despite attempts from Statoil's company representative and Mr McPherson to improve the cooperation and working relationship. After 16 months the ICC manager was replaced, and meeting activity became more driven by the ICC. Other than that change, the regular meeting activity has stayed the same since the beginning of the project.

Aibel's CEO and executive vice presidents have regular meetings with four or five Statoil seniors, amongst them Anders Opedal, where they discuss different projects and Aibel receive feedback. Statoil employ a scoring system which is perceived as sometimes being subjective. The reasoning behind a score given can be the opinion of one man on a particular project. As a result of feedback Aibel got around May 2013 from one of the meetings, Aibel reorganised the top management in Aibel so that an executive vice president was allocated to lifting the performance on maintenance contracts. This has led to an improved score, compared with other contractors.

5.5 GEMC PROJECT

The GEMC (Greater Ekofisk Modification Contract) contract is a framework agreement that comprises several small and medium-sized modification-projects for ConocoPhillips in the Ekofisk area. The contract is a continuation of the previous GEM contract signed in the summer of 2002. Aibel wanted to extend the contract because the commitment for five years with options for three more years would give a stability and predictability to Aibel's activity and revenue.

The initiation phase

The previous GEM contract was a contract where the options where extended. This meant that Aibel were prepared for a tender process for a new contract. Aibel knew ConocoPhillips' expectations for the new contract, and knew the timing for the tender process. Because of the previous engagements between Aibel and ConocoPhillips, the pre-qualification process was simplified. Aibel was not a part in developing the offer that ConocoPhillips made in their inquiry. ConocoPhillips tendered the contract, and Aibel spent a standard of three months to prepare the tender. Aibel did an assessment of ConocoPhillips as a part of their tender strategy. After technical and commercial clarification of the tender, the tender process quickly developed to negotiations that lasted for around two months, which is relatively long. Mr Refsland thinks Aibel was the only real partner at this stage. A team from ConocoPhillips' headquarters in Houston flew in to Norway and tried to push the price down in negotiations. When Aibel's tender team felt it was economically indefensible to reduce the price, the

team from Houston went straight to the top management in Aibel with an ultimatum on the price, and Aibel was pressed to sign the contract with parameters set by ConocoPhillips, in July, 2011. The reason why ConocoPhillips' headquarters got involved in the negotiation process, and subsequently the reason why this process lasted as long as it did, in Mr Refsland's view, is that they were concerned about the ability of ConocoPhillips' organization in Norway to give an objective assessment of the tender, after having worked so closely with Aibel on the previous contract.

The project contract and the project stage

Mr Refsland replaced the previous contract director when there was dissatisfaction in ConocoPhillips with Aibel's work. There were accusations and an aggressive tone in the contract meeting at the time, and Mr Refsland quickly focused on bringing out all difficult issues in the meetings and talking openly and honestly. This improved the situation, and revealed to ConocoPhillips that they had a bigger part of the responsibility for these issues than what they previously thought.

The previous GEM contract was a reimbursable contract with milestones and bonus agreements. In the new contract wanted changed the model to a reimbursable target contract, where Aibel is paid for the work done based on rates with zero profit, and where there is a target budget. If this target budget is not met, the costs or profits are split between the parts in the contract. The contract has not been modified since it was signed, and since ConocoPhillips' headquarters gave the parameters for the contract, ConocoPhillips' organisation in Norway is cautious to exploit the different mechanisms in the contract or modify it. However, Aibel has seen that, with the development in the relationship since the contract was signed, they have been able to use the mechanisms in the contract to get extra compensation for use of consultants, certain rate adjustments, and begin discussions about milestones. In relation to a shutdown on the Ekofisk field, in the summer of 2013, an agreement was negotiated where all of the extra costs Aibel acquired due to the shutdown were reimbursed.

Inter-organisational activities

In the previous contract, on a management level, Aibel and ConocoPhillips already had a yearly Christmas Dinner, as a popular meeting point and arena to build relations in a different context. This activity and all other social activities were cancelled or suspended during the tender process. In the beginning of the work after the contract was signed there were team-building activities. There is little room in the framework of the contract for joint social activities, and, according to Mr Refsland, both parts agree that there has been too few of these. Mr Refsland points to extended work meetings with dinner as a way of improving the "working climate". A "technical day" personnel from Aibel, the Norwegian organisation of ConocoPhillips, and other project partners had at ConocoPhillips'

headquarters is another example of an activity between the parts in the contract.

Formally, it is only the project leaders in the contract from ConocoPhillips that can instruct Aibel. In practice, Aibel are instructed from three parts of ConocoPhillips: The project management, the company organisation at the installations on Ekofisk, and the engineering community in Tananger. ConocoPhillips' project managers are situated at Aibel's Forus office. Formally they have so-called instruction and management rights, but in practice they are operating with design of Aibel's technical systems. This is a challenge to Aibel, as they talk directly to the engineers, and makes decisions without following the chain of command in the projects. At the installations on Ekofisk, Aibel are an integrated part of the company organisation and relates to ConocoPhillips' as a part of this hierarchy. The engineering community is related to as with a supplier of a product. Aibel have 35 people leased to ConocoPhillips, conducting most of their research. These people have no contractual responsibilities or rights, but provide Aibel with a lot of the client's knowledge.

There are formal contractual meetings every month with client and subcontractors with a contractual setting. There is a monthly operations meeting where the status on the operations are presented, but where the agenda is unclear. There are informal and obligatory meetings with the company organisations at the platforms and the engineering community in Aibel's operations center. In addition there are communications with a steering committee consisting of the contract representatives and top management in Aibel and ConocoPhillips. The communication structure is partly a continuation of the structure in the previous contract, and partly instructed by Aibel's current steering system. A majority of ad hoc meetings does not involve Mr Refsland. Although Mr Refsland does not know anyone from ConocoPhillips personally, there are several instances of personal relationships between individuals on both sides of the contract, and personnel having previously worked with the opposite part on both sides. Mr Refsland describes this as an important factor that contributed to openness between the parts to benefit from each other, also in processes before the contract was signed.

6 ANALYSIS

In this section the framework developed in the literature review will be applied to the empirical results gathered in the interview process.

6.1 DEVELOPMENT OF THE PROJECT RELATIONSHIPS

This section will answer part of the research question by applying the revised six states model

presented in section 3.4.4.2 to the results presented in section 5. The different states the project relationships have gone through and at what points will be identified.

6.1.1 THE GOLIAT PROJECT

State 1:

Jotun anticipated the project one to two years before the contract was signed. This corresponds with the searching process of recognising the purpose and need for going into a network relationship. At this point Jotun had meetings with ENI and was retrieving information on the specifications for the project as well as presenting their products. This corresponds with the searching process of looking for a match between the need of the potential winner of the construction contract and their own capability. When HHI won the contract, the purpose and need to enter a relationship specifically with HHI was clarified. HHI's construction of the AVL in cooperation with ENI can be recognised as an activity to search for, evaluation and selection of potential partners. Until the contract was signed there was no commitment to the project.

State 2:

HHI contacted Jotun around six months to one year prior to the signing of the contract. With this HHI and Jotun made initial contact in connection to the specific project through direct contact. This can be recognised as a starting process in the six states model. When HHI took contact they sent a document referred to as project specifications developed with the owner. HHI thus presented Jotun with the business opportunity of the project contract, corresponding with a starting process. Jotun presented their purpose/opportunity through technical documents and product recommendations. The work that both Jotun and HHI did with the project specifications marks a commitment to the project relationship which suggests a transition from state 1.

HHI and Jotun were testing goals and compatibility through a development of the specifications when HHI suggested changes to the paint products. This corresponds with a starting process in the six states model.

Before signing the contract, Jotun and HHI met several times to negotiate technical and commercial specifications. These meetings are also examples of the starting process of testing of goals and compatibility through development of specifications.

The contract agreement between Jotun and HHI marks the final establishment of the project

specifications. At this point, the initial contact was made and the purpose/opportunity was presented. The signing of the contract therefore suggest the transition into a new state.

State 3:
The meeting activity between Jotun and HHI before contract agreement can be recognised as direct involvement in business discussions. At the same time the discussions aimed to identify priorities such as quality of the paint:

"We suggested to reduce the quality for some specifications for some of the paint. The owner rejected because they believed the [overall] quality would be reduced"

The fact that the discussions took place both in Norway and Korea also suggests a strong commitment to the project, an accommodation of the partner and development of mutual trust. These processes suggests that the relationship was in state 3 six months to one year before the contract was signed. The current regular contact between Jotun and HHI suggests that the relationships have been in state 3 since the signing of the contract. The increase in contact activity at the beginning of the project stage suggest an increased presence in state 3 from this point.

Personal relationships and a degree of trust was already established before the initiation phase. The further development of these relationships and the trust of the partners continued with the regular contact activity that was established both before and with the signing of the contract. This suggests that the project relationship was partly in state 3 from the beginning of the initiation phase. The various socialisation activities between Jotun and HHI since the beginning of the project stage correspond with the development processes of regular socialisation and processes to build personal relationships.

Jotun has a site office in Ulsan (location of the HHI shipyard). This was established prior to the project, but the engagement of this site office at the beginning of the project stage still marks a commitment of resources to accommodate partner (service of readiness) and integration of activities. Jotun's supplying of free of charge paint products to HHI is an example of the development processes of accommodating partner and building trust.

State 4:
The issue with the drying time of the paint has required meeting activity to resolve conflicts. The project relationship has therefore partly been in state 4 at various times during the project stage.

The project has been delayed for around one and a half years. Since the contract states Jotun has to supply coating inspectors until the end of the contract this means that Jotun is currently committing more resources to the project than what the contract compensates directly and what they anticipated before the delays. This also means that Jotun has to adapt with the extra manpower that cannot be spent elsewhere. These activities suggest that the project relationship has been in a maintenance state since the delays, with a stronger presence of this state with the continuing delay.

Overall project development:

The Goliat project relationship between Jotun and HHI began in state 1 1-2 years before the contract was signed. At this point some development processes of establishing personal relationships and trust also began suggesting a movement towards state 3 already at this point. Initial contact was established 6-8 months before the contract where the purpose/opportunity was presented. Testing and development of specifications were also begun at this point, suggesting an overlap with state 2. Development processes became more present leading up to the contract with regular meeting activity and accommodation of partner. This suggest that the relationship had a strong presence in state 2 and an increasing presence in state 3 from initial contact to the contract agreement. After the contract was agreed and the project stage begun the relationship moved out of state 2. It also moved more substantially into state 3 with more accommodation, meeting activity and socialisation. With the different issues during the project stage and the delays the relationship has also partly transitioned into state 4.

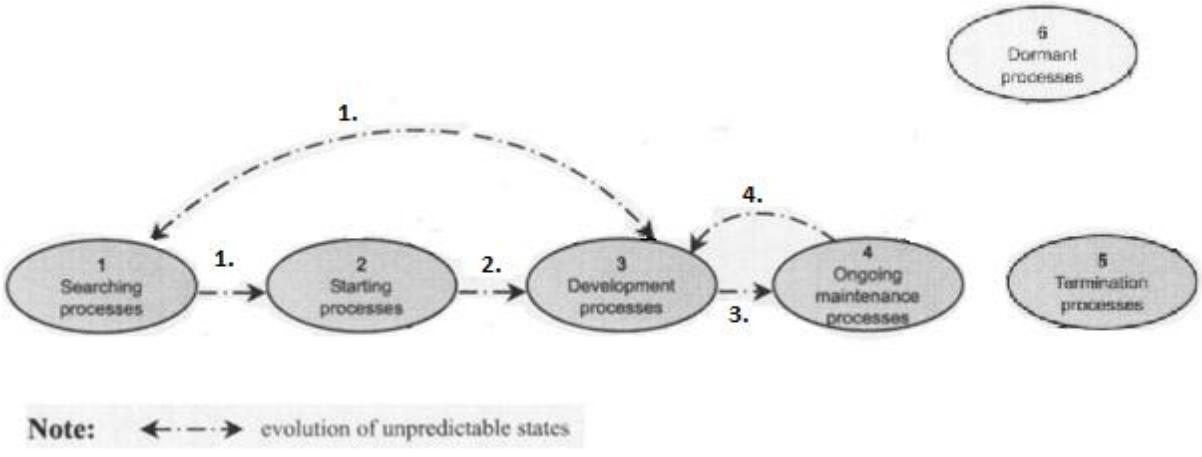

Figure 5: Development of the Goliat project relationship

6.1.2 THE TRANSOCEAN PROJECT

State 1:

After the agreement between Chevron and Transocean, Transocean involved DSME with an inquiry and with this established the need and purpose for TMC to enter a project relationship with DSME. This suggest that the project relationship was in state 1 in the stage where DSME bid for the contract.

With the construction of the AVL, DSME searched for partners and were looking for a match between need and capability. They evaluated TMC based on prior experience, and product attributes. The different working methods TMC employ with different shipbuilding companies suggest they were assessing DSME at this point based on personal attributes. Given that international projects are more attractive to TMC, the partners' situation and where the constructions will operate was also a part of TMC's evaluation of their project partners. TMC also evaluate based on previous experience. The activities from DSME and TMC suggests that the project relationship was in state 1 right after the contract between Transocean and DSME was signed. This was nearly a year before TMC agreed their contract with DSME.

State 2:

DSME made initial contact with TMC for a project involvement when they were bidding for the contract with Transocean. This suggest that the project relationship entered state 2 around a year before TMC signed the contract with DSME. DSME's inquiry to TMC to bid for the project, and TMC's subsequent response to this inquiry were the presentation of the purpose/opportunity between the parts, and were also part of a specification development process.

The long process of technical and commercial negotiations suggest a high activity of the starting process of testing goals through development and negotiation of specifications. The contract agreement in September also corresponds with a starting process in the six states model. TMC and DSME entered a very brief negotiation of contract specification when the delivery date in the project was changed early in the project phase. This suggest a short re-enter into state 2 at this point.

State 3:

The fact that Mr Ranheim knew people from DSME involved in the project before the contract was signed, suggests that the project relationship was partly in state 3 from the beginning of the initiation phase. The process of developing personal relationships was already started at this point.

The monthly and weekly updates TMC receives on the orders that DSME have with them,

corresponds with the development process of regular contact. This contact started when the order was placed and the project stage begun.

The communication between TMC and DSME is handled by telephone calls, e-mail correspondence and personal meetings. Maintaining a regular meeting activity with DSME is seen as very important. In addition to integrating business activities and regular contact, these meetings are also a strategy to maintain close personal relationships with personnel that might be rotated or replaced at DSME. The project leader in TMC on the technical side were in regular contact with DSME until production of the equipment begun, suggesting a stronger presence in state 3 until this point.

The occasional lunches at DSME's shipyard corresponds to social contact as a development process. The activities connected with the exhibitions that occur during the initiation of the project and the project stage also corresponds with the process of building personal relationships and trust.

State 4:
When the date of delivery of the equipment was changed, TMC made an effort to increase the commitment of resources to accommodate partner and eventually partook in joint efforts with DSME to resolve the contract conflict. These activities suggest that the project relationship was in state 4 during the early stages of the project, before and during the change to the contract.

Overall project development:
The Transocean project relationship began in state 1 when Transocean was bidding for a contract with DSME. At this point the purpose of entering the relationship became clear to TMC and DSME. Development processes of establishing personal relationship was already occurring at this point, but to lesser extent in connection with the project. With the initial contact, the relationship began a transition into state 2 while maintaining presence in state 1 with evaluations and no commitment. When DSME had won the contract and inquired KM to bid for the project the relationship moved from state 1 and into state 2 with development and negotiation of specifications. When the contract was agreed between TMC and DSME the project relationship transitioned from state 2 to state 3. From this point regular meeting activity and communication related to the project, and some socialisation began. When the contract was revised the relationship entered a very brief period of state 2 and state 4, with partner accommodation, conflict resolve and negotiation processes.

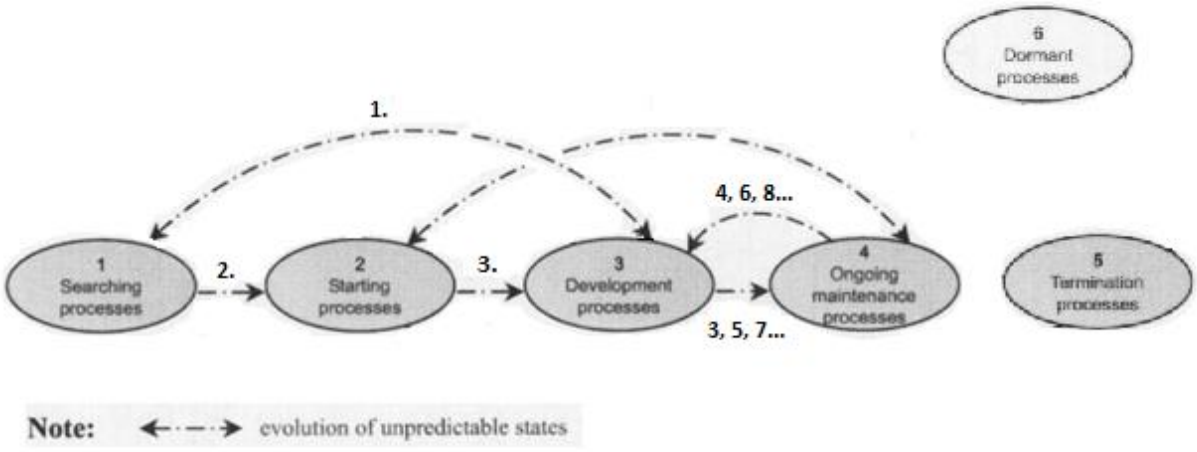

Figure 6: Development of the Transocean project relationship

6.1.3 THE SONGA OFFSHORE PROJECT

State 1:

It is not clear to what extent KM were anticipating a project relationship specifically with DSME when they first acquired knowledge of the Cat-D concept. It is however, reasonable to suggest that they recognised the purpose and potential need for entering a project relationship with DSME. KM expected that a South Korean shipbuilding company would acquire the contract for the construction of the rigs.

KM was assessing the different shipbuilding companies, and were uncertain about DMSE's capability to handle some of the strict specifications Statoil had demanded. This corresponds with the searching process of cross-checking partner's competence.

State 2:

6-8 months before the contract between KM and DSME, Songa inquired a number of shipbuilding companies for the construction of the rigs. DSME took the initial contact with KM at this point to acquire information they need to deliver their bid to Songa. Before DSME won the contract, the communication between KM and DSME was conducted via e-mail.

When DSME won the contract they constructed a detailed specification and inquired KM to bid for the project. The technical and commercial negotiations that followed are examples of the starting process of testing goals and compatibility through negotiations of specifications. This process led to the contract agreement in 2012.

In the project stage the contract was renegotiated several times. Some of this changes were handled quickly via e-mail with variation orders. Other changes required the partners to meet to negotiate. These activities suggest that the project relationship re-entered state 2 several times during the project stage.

State 3:
The “kick off” meeting, interface meeting and the workshops are examples of the development processes inter-organisational planning of activities and relationship. They also serve to develop personal relationships and trust between KM and DSME. These meetings suggest that the project relationship were in state 3 in the beginning of the project as well as in the beginning of the interface stage of the project. The extended meeting activity before the contract was signed, with commitment of resources suggests that the project relationship began a transition into state 3 before the contract was signed.

KM's presence at DSME's shipyard, the meeting activity and communication between the partners during the project stage corresponds with the development processes of direct involvement in business discussions in state 3. KM is deploying manpower at DSMEs yard and with testing of the equipment they deploy 1-6 people with service on board of the ships. These are examples of accommodation of partner during the project, suggesting a continuation of state 3 throughout the project so far.

State 4:
During some of the major changes to the project specification and the contract, KM had to meet with DSME to negotiate and clarify these changes. This shows that the relationship development underwent maintenance processes early in the project after the contract was signed.

As the project has been delayed KM has been in contact with DSME regarding the difficulties they face with the changes in the construction. There has been discussions between the parts, and KM has informed DSME that they have calculated their support according to different processes of construction. The delay has caused some strain in the project relationship and a higher commitment of resources from KM's side. So far KM is unsure about the total ramifications of the changes that has been made due to the delay, but they expect meetings if the changes will be considerable with regard to the contract.

Overall project development:

The Songa Offshore project relationship began in state 1 when KM anticipated the project. This was more than a year before their contract with DSME. At this point they recognised the purpose for the project relationship and evaluated their competence. When DSME was bidding for the project with Songa they took initial contact with KM and presented with this the purpose/opportunity for a project relationship. The relationship therefore transitioned into state 2. When DSME inquired KM to bid for the project they presented the purpose/opportunity more fully, and the negotiation and development of the specifications began. A high meeting activity suggest development processes before the contract was signed and a slow transition into state 3. When the contract was signed the relationship moved out of state 2. Socialisation and varying accommodation of partner and commitment of resources from this point signals a stronger presence in state 3. Changes to the contract has meant that the relationship has gone into state 4 and state 2 to varying degrees several times during the project stage. The delay in the construction has also caused maintenance processes such as conflict resolve and increased commitment of resources, meaning a stronger presence in state 4.

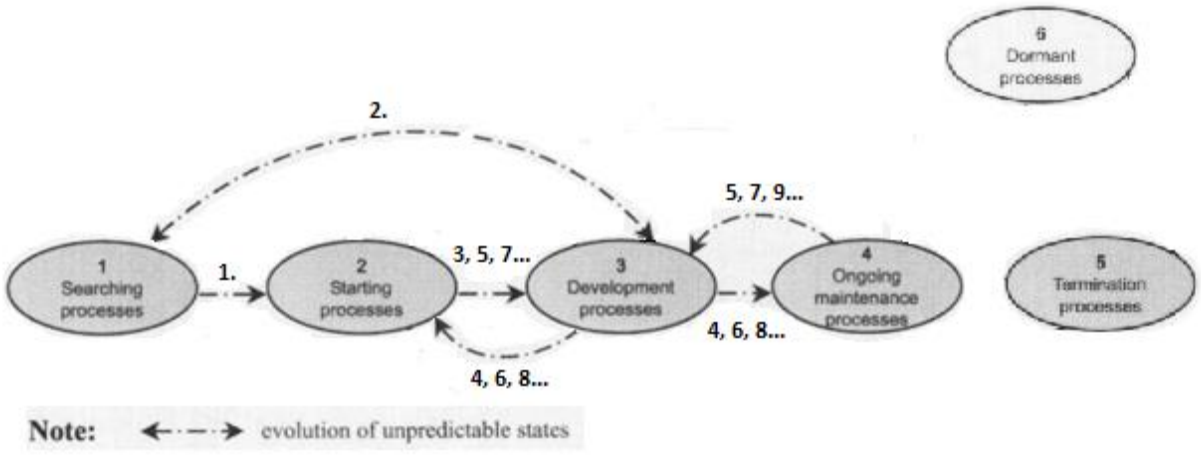

Figure 7: Development of the Songa Offshore project relationship

6.1.4 TPC PROJECT

State 1:

Aibel has ongoing meeting activity with Statoil concerning a project portfolio rather than this specific project. Since the TPK and TPC are efforts to adjust to a foreseeable drop in reservoir pressure, Aibel could have recognised the purpose and need of the TPC project even before the screening studies. Aibel knew that the project would be big and that it would provide valuable knowledge and experience. These are examples of Aibel recognising purpose and need to enter a project relationship which is an activity described in state1 in the six states model. As Statoil wanted the project based in

Europe, some of the Asian competitors were ruled out before the work related to the project began. A match between the need for a European supplier and the two Norwegian suppliers Aibel and Aker Solutions was found. This can be recognised as both looking for a match between capability of suppliers and the needs they have in the project, and a search for suppliers. These are activities present in State 1 in the model. Because of the close relationship between Aibel and Statoil outside of the project, Aibel was automatically pre-qualified. In a pre-qualification, the buyer does a preliminary assessment of the seller's competence in relation to the project, and is as such an instance of the activity of cross-checking partner's competence in state 1. In the screening and FEED processes, there was close cooperation between the parties, and resources committed from each party to a potential project relationship. However, before the project got the green light from the top management in Statoil and the inquiry was made; neither of the parties were committed, in form of an agreement, to the project relationship. This is also a factor that describes state 1.

State 2:

The inquiry specifies the objectives and goals of the project, identifying the purpose. The tender presents the specifics of how Aibel will solve the problems. Statoil presented the purpose of the project in an inquiry, and Aibel likewise presented the opportunity they could offer Statoil through a tender. These are activities that describe state 2. In the post-tender phase, technical and commercial goals were clarified and tested. Statoil also tested compatibility of personnel and rejected a suggested candidate for one of the positions in the project during the clarification process. These activities, lasting from the inquiry, as well as the signing of the contract, can be mapped to the starting processes state. This suggests that the relationship was in state 2 during these activities.

State 3:

The team-building efforts between the parts the first three-four months served multiple purposes. One of the goals was to develop personal relationships through different work-related and social activities. At the same time plans, responsibilities and goals were presented and discussed. These activities are described in state 3, suggesting that the relationship was in this state in this time period. The social activities since this initial phase of the project have been few. The current formal meeting activity, apart from ICC was established in the beginning of the project, and Statoil established site offices, presumably, at the beginning of the project to integrate and accommodate communication and operations. These are efforts to adapt the inter-organisation and members of this organisation to the objectives of the work and, as such, inter-organisational and member adaptation. When the ICC manager was replaced, personal relationships had to be developed once more, and new activities were planned. The amendments in the contract also meant new inter-organisational planning by, for

instance, involving the Thailand organisation. In addition, they caused formalisations of discussions in the contract. These activities, recognised in state 3 in the model, would suggest that the project relationship was in a development processes state in the early months after the signing of the contract, when amendments were signed and when the ICC manager was replaced.

State 4

Statoil reluctantly approved the replacement of operations to Thailand. They also replaced the ICC manager after 16 months, around January, 2013, and Aibel's top management was reorganised to lift the performance on, among other, the TCP project. Two amendments have been agreed some time during the project, after the contract was signed. This is an example of the two parties modifying the contract to resolve conflict in previous contract, and adapting to the other party, which are activities we recognise in state 4 in the model. The replacement of a candidate in the clarification process is an example of early adaptation of members, but does not seem to constitute a significant conflict, but rather a normal procedure. The project relationship involved activities suggesting that the parties have been engaged in maintenance processes, suggesting state 4, from the signing of the contract, while these activities have been more strongly present later in the project.

Overall project development:

The TPC project relationship began in state 1. Before the inquiry we see a few activities described in state 2, suggesting a smooth transition into state 2. From the inquiry through to the signing of the contract, starting processes in state 2 is most prominent. After the contract was signed, development processes began suggesting a transition into state 3. At certain points during the project, several maintenance processes have also been needed, which would cause the relationship to enter and exit state 4 at these points. Figure 3 highlights the transitions between states that are recognised in the TPC project so far. The numbers in figure 4, show the sequence of transitions. The number of transitions between state 3 and 4 are unclear since the transitions between these states are indistinct

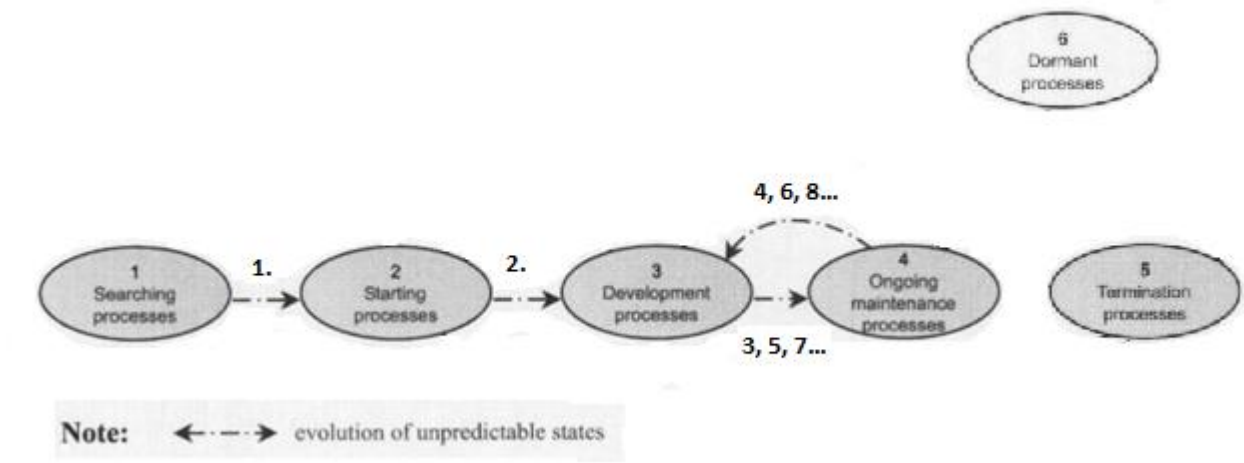

Figure 8: Development of the TPC project relationship

6.1.5 GEMC PROJECT

State 1:

Aibel knew that there would be a need for a new contract once their extended options were to expire. They also knew that a new contract, if awarded to them, would bring a stability and predictability to their activity and revenue. ConocoPhillips likewise were aware of the length of the previous contract and knew the need to form a new contract relationship to ensure the operations at the Ekofisk field. The purpose and need for a project relationship was therefore recognised during the previous contract, which is an activity describing state 1. Before tendering the contract, ConocoPhillips also did a simplified pre-qualification of Aibel, which is an example of finding information, cross-checking partner, and matching need and capability. These are all activities indicating state 1. Before the contract was signed there no commitment to the project relationship from either of the parties. The searching processes status therefore can be recognised before the tendering of a new contract, earlier in the previous contract going towards the signing of the contract.

State 2:

ConocoPhillips presented the purpose and opportunity of the project to Aibel by tendering the contract, and Aibel submitted a tender, presenting the opportunity this tender offered to ConocoPhillips. This activity is described in the model and indicates state 2. During the tender process, Aibel did an assessment of ConocoPhillips. After the tender was submitted, a technical and commercial clarification was done testing the goals and compatibility of the offer. A long process of negotiations followed, testing goals and compatibility further. These activities performed in cooperation are a part of state 2. The case description therefore suggests a starting processes status

beginning from the tendering of the contract.

State 3:

In the beginning of the work after the contract there were team-building activities. These are activities meant to create personal relationships and trust between partners and give an arena to inter-organisational planning of activities, responsibilities and relationships. This means that we can map these activities to state 3 in the six states model. The formal meeting activity is contractually decided, partly a continuation of previous contract. These are activities that points to a direct involvement in business discussions through regular contacts, and therefore indicate state 3. The social activities that could contribute to trust-building have decreased since the beginning of the project. ConocoPhillips' contractual organisation has been integrated in Aibel's Forus office since the beginning of the project, and Aibel are integrated in the platform organisations. These are examples of resource commitment to accommodate partner and integration of activities, which we recognise as an indicator of state 3. The clarification of responsibilities, as a development process, has been an ongoing activity from the start of the project, as these are not clear.

When Mr Refsland replaced the previous contract director, new personal relationships had to be developed. Extra compensation for use of consultants, rate adjustments and discussions about milestones are examples of an increased trust between the parties through inter-organisational adjustments. All of these occurrences indicate that the project relationship had periods where development processes, as described in state 3, were strongly resumed. State 3 seems to have been strongly present early in the project after the contract was signed. After this early period the relationship has continued to develop as a result of a continual need for clarification of responsibilities and during the latter mentioned occurrences.

State 4:

A conflict arose when ConocoPhillips headquarters worried that the tender team would not be able to assess Aibel objectively. This resulted in an increased commitment of resources by involving new parts of the organisation in the negotiations. This activity indicates state 4. Aibel, in order to secure the contract, accepted disadvantageous parameters. In an attempt to adapt to the situation, when ConocoPhillips were dissatisfied with Aibel's work, Aibel replaced their contract director. This is an example of member adaption. The parts managed to improve the situation by communicating openly and honestly, which can be seen as an example of the parts resolving conflict through joint activity. The parts have also through the establishment of trust been able to deal with issues concerning compensation for use of consultants and rate adjustments. This is in part a result of development

activities, indicating state 3, but the actual decisions can be seen as joint activities to resolve conflict. Joint negotiation activities were also performed to solve a conflict related to the shutdown in the summer of 2013. The contract situation still inhibits both parties in utilising the contract to the extent they would like, and the challenges concerning unclear responsibilities are also still unresolved. The project relationship has involved maintenance activities both during the negotiation processes concerning the tender, and during certain conflicts or changes after the contract was signed.

Overall project relationship development

In the GEMC project the first state in the six states model can be recognised in the previous GEM project. Going into the tender process, clarification processes and negotiation, ending with the signing of the contract the second state is discerned. During negotiations maintenance processes present in state 4 is recognised. After the contract was signed and throughout the duration of the project there has been there is high development activity, as would suggest state 3, while at certain times there has been a need for maintenance processes as well suggesting instances of state 4. The project relationship went through state 1 to state 2 where it also went to state 4. After this it proceeded to state 3, and have at several points during the project been in state 4. Figure 5 highlights the transitions between states that are recognised in the GEMC project so far. The numbers in figure 5, show the sequence of transitions. The number of transitions between state 3 and 4 are unclear since the transitions between these states are indistinct

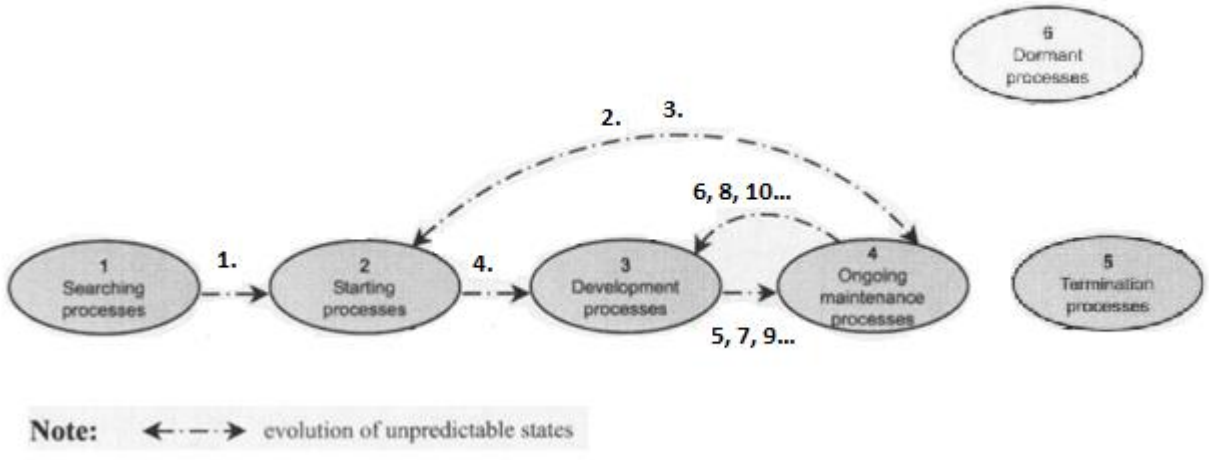

Figure 9: Development of the GEMC project relationship

6.1.6 EVALUATION OF THE PROJECT RELATIONSHIP DEVELOPMENT

The interview findings suggest that the relationships were in a combination of states or in multiple states at the same time, where some are more prominent than other at certain points. The transitions in and out of the different states are gradual in terms of the presence of the different activities. In

some transitions the activity in the current state declines, while the activity in the next state increases. In the period from inquiry to signing of contract, state 2 is hard to distinguish from state 1. The relationships seem to enter state 3 partly before the signing the contract agreement, while it is more prominent from this point. While in state 3, the relationship can also re-enter state 2. State 4 occurs in parallel with state 3, and can prevail if the situation that requires maintenance processes is not resolved.

6.2 INITIATION OF THE PROJECT RELATIONSHIPS

This section will answer the research question by applying the new initiation model presented in section 3.5.5 to the results of the interviews presented in section 5. The different statuses and transitions the project relationships have gone through will be identified. The activeness and the intentionality of the transitions will be analysed. Next, inhibiting and converting factors that affected the transition that took place in the project will be identified.

6.2.1 THE GOLIAT PROJECT

6.2.1.1 Statuses and transitions

Jotun and HHI had been working together on projects many times before the Goliat project, and they also have parallel projects ongoing: "We are continuously supplying paint to HHI". The companies were well aware of each other before the initiation phase of the Goliat project began. This situation corresponds to status 3 in the new model of project relationship initiation: mutual recognition.

Jotun, as described earlier, anticipated the project before HHI was awarded their contract with ENI and development work for the specific project was started. Jotun was therefore considering a specific project. However, they have no clear information about which shipbuilding company would win the contract and become the buying part. Given that the AVL is constructed by the buyer and ENI in cooperation this was a factor deciding whether Jotun could even bid for the project.

The development of the project between HHI and Jotun is begun by ENI as they develop the specifications for the larger, encompassing project of the platform construction. If ENI awarded the construction contract to a different yard, the project for paint delivery could well have had a different seller and buyer. In preparing their bid for the construction contract, HHI contacted Jotun and asked them to help review and evaluate the project specifications as paint experts. When HHI was awarded the contract, the technical discussions between Jotun, HHI and also ENI further develops the project.

The need for paint and the framework for a potential project is established with ENI's early project specifications. However, the consideration of a specific project relationship for delivery of paint is signalled when HHI contacts Jotun. The transition into status 5 therefore follows transition j. At this point Jotun receives more information about the specifications of the project and is made aware that HHI will in fact bid for the project and is considering the services of Jotun. Corresponding with the model, Jotun is not intentionally choosing to consider the project with HHI, and is the reactive part in the transition.

From this status Jotun and HHI begin negotiations and specification development leading up to a contract agreement for the project, following transition l.

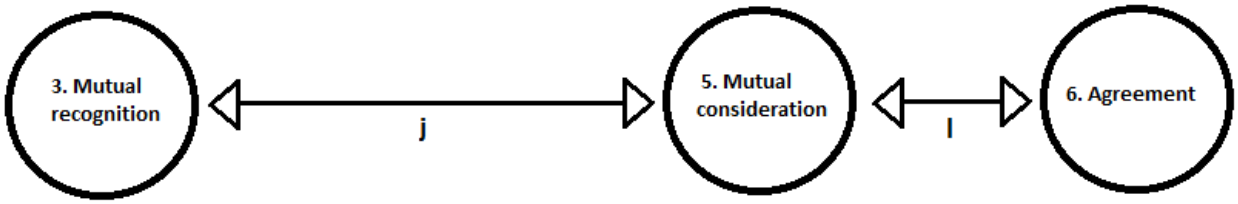

Figure 10: Transitions between statuses in the Goliat project relationship

6.2.1.2 Inhibitors and convertors

Converters:

Previous experience with HHI and ENI (trust and service offering):

The existing relationship and experience the companies have with each other secured Jotun a place on the AVL. If Jotun had not been on the AVL they would not have been contacted by HHI and the transition into status 5 would not have happened. The previous experience with HHI and ENI therefore acted as a converter. The previous experience affects HHI and ENI's trust in Jotun and also affects Jotun's competence with these companies.

Technical capability (service offering):

The technical solution that Jotun could offer secured the contract agreement and therefore acted as a converter from status 5 to status 6.

“HHI evaluated the technical points of the paint makers. For this project there were three or four paint makers on the vendors list [AVL]. HHI and ENI evaluated the technical and ranked the score of the

evaluations … They are also evaluating our competitors and selecting one of the paint makers."

"Technically out product is better than our competitors. Price-wise there is not a big difference."

Business network (service offering):
Jotun anticipated the project one or two years before the contract agreement with HHI. At this stage Jotun had meetings with ENI to recommend their products. This activity could have influenced ENI positively in the making of the AVL and thus acted as a converter from status 3 to status 5. In this instance the ENI is ensured of Jotun's capability and competence in their service offering. Jotun also began the development of solutions. The network, allowing them the information of the project gave Jotun a head start on the development of the technical solutions that won them the contract. This network therefore acted as a converter from status 5 to status 6. In this instance, Jotun's capability and competence is increased with the early development.

"We get that kind of information from out network. Also from the yards. From their sales and business development department. We have a relationship with them so we can find out that kind of information before the owner awards this project to HHI."

Pre-project service (service offering):
Jotun helped HHI review and evaluate the project specifications as paint experts. This activity marked the transition into consideration of a specific project relationship. As such it acted as a converter for the transition from status 3 to status 5.

6.2.2 THE TRANSOCEAN PROJECT

6.2.2.1 Statuses and transitions

TMC and DSME have been working together on projects since around 1996. The Transocean project is also a repetition of a previous project that started up in 2008. In light of this, it is clear that TMC and DSME were aware of each other before the initiation phase of the Transocean project began. Utilising the new model of project relationship initiation, TMC therefore starts the initiation from status 3: mutual recognition.

Transocean decided to order a new drillship, and took contact with DSME to inquire about a budget price for the construction. In order to calculate this price, DSME were prompted to contact TMC to inquire about a budget price for the required compressors. DSME at this point signalled an interest in

engaging TMC in the project, if they were awarded a contract with Transocean. With this, TMC transitions into status 5: mutual consideration. Here they are considering the specific project of delivering compressor equipment to the DSME for the construction of the drillship. In the model, this transition corresponds with transition j. TMC is not intentionally choosing to consider the project, but is prompted to do so by reacting to DSME's signal.

From this point TMC and DSME begin technical correspondence and subsequently a commercial negotiation leading to the contract agreement. Utilising the model, this transition corresponds with transition l.

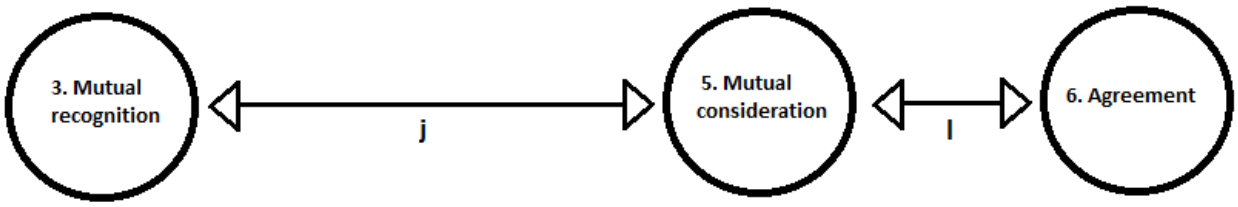

Figure 11: Transitions between statuses in the Transocean project relationship

6.2.2.2 Inhibitors and converters

Converters:

Personal relationships (trust)

TMC regularly discuss future opportunities with their buyers, and maintaining personal relationships is seen as an important factor.

On why TMC won the contract:
"We work directly toward the yards to create personal relationships."

Service and maintenance (service offering):

The service and maintenance TMC offer to the owners of their previous projects affects whether new ships are ordered and whether TMC makes the AVL. The project owner gains knowledge of TMC's capabilities and competence. This factor therefore act as a type of service offering converter from status 3 to status 5.

"If the owner is satisfied with the equipment and the service that we have provided, there's a greater

chance that they order a new ship."

Previous experience with DSME and Transocean (service offering):
The previous experience with both the shipbuilding company and the owner is a strong factor deciding whether TMC is placed on the AVL. This factor therefore acts as a converter from status 3 to status 5.

"After the shipbuilding company and the owner sign a contract they construct the maker's list [AVL]. The owner has some preferences and the shipbuilding company has some preferences … You won't sell anything if you are not on the maker's list [AVL]."

The previous experience is not only limited to projects. TMC regularly meets with different shipbuilding companies, and are also in contact with different ship owners.

"I am also in contact with Transocean in the USA and have had several meetings with them and created a relationship with them that makes them want us as a preferred supplier."

"We can get information [from Transocean] on projects and what it will take to win contracts."

Project type (International project) (service offering):
The fact that the project owner is an international company that operates internationally made the project a more attractive project for TMC. This was a factor that contributed to TMC considering the project and therefore acted as a converter from status 3 to status 5. This factor ensures TMC that they have the capabilities to deliver the right equipment, among other things.

"If the ship owner was Korean and the ship was only operating in South Korea. The chances we are allowed to deliver Norwegian equipment are smaller. Then they would want Korean equipment. International projects are also more important for us."

Product specialisation (service offering):
TMC specialises on compressors for marine and offshore. Mr Ranheim thinks this was one of the factors that made TMC the winners of the contract. This specialisation should provide TMC with a competitive edge towards competitors that ensures the owner and the shipbuilding company of their technical capabilities. This factor is therefore recognised as a converter in the transition from status 3 to status 5 and status 5 to status 6.

On why TMC was awarded the contract:
“We work dedicated with what we know best, and that is compressors for marine and offshore. We do not make industrial compressors.”

Pre-project service (service offering):
DSME offered a service in calculating budget price for the equipment they could deliver. This activity marks the transition from status 3 to status 5 and as such acts as a converter.

Inhibitors:
Accommodation (risk):
TMC and DSME had problems agreeing on a price for the project and this factor slowed the transition from status 5 to status 6. For TMC a low price implies a financial risk and vice versa for DSME. This factor is therefore recognised as an inhibiting factor.

“We agreed with DSME after many months of negotiations. We went back and forth with them not accepting our price, and when we came to an agreement there was an urgency to deliver.”

“Since their manager would not accept our price the production of the equipment had to be rushed.”

Importance of project (bonds):
The relationship between the companies and the attractiveness of the project prevented the project relationship from transitioning backwards from status 5 to status 3 even with the prolonged negotiations. The companies' commitment to the project is therefore recognised as a inhibitor.

“We can decide to withdraw from a project if they have a price we cannot justify … We have not considered withdrawing from this project.”

6.2.3 THE SONGA OFFSHORE PROJECT

6.2.3.1 Statuses and transitions

KM have been working with DSME on projects for “many years before this project”, and were engaged in other projects with DSME at the time they were initiating the Songa project. KM was therefore in the status were both companies were aware of each other, corresponding with status 3: mutual recognition.

KM anticipated the project over a year before the contract with DSME was signed. Given that the first contact between KM and DSME was established around 6-8 months before contract, it was 4-6 months before this. KM knew about the Cat D concept and had been in contact with GVA regarding the design of the rigs.

“We had knowledge of Statoil's Cat D concept … We knew that the project would come, but at that point we did not know which ship owner or shipbuilding company would get the contracts. We thought it would be a shipbuilding company in South Korea”

Working with GVA, KM was already investing in the project and they were as such considering their engagement with a potential shipbuilding company. They had, however, no clear information about which company this would be. They were expecting it to be a South Korean shipbuilding company, which narrows the possibility down to 3-4 companies. Based on this, KM likely transitioned into status 4, buyer considered, via the transition labelled g. They intentionally decided to consider the potential project relationship with DSME. DSME made the initial contact with KM regarding the project by asking for quotes they could use in the calculation of their bid to Songa. This corresponds with transition i into status 5, mutual consideration. KM waited for DSME to contact them once they had won the contract with Songa. KM were the reactive part in this transition.

From this status, KM and Songa had meetings to clarify the technical specifications, and negotiations led to a contract agreement. This transition corresponds with transition l in the model.

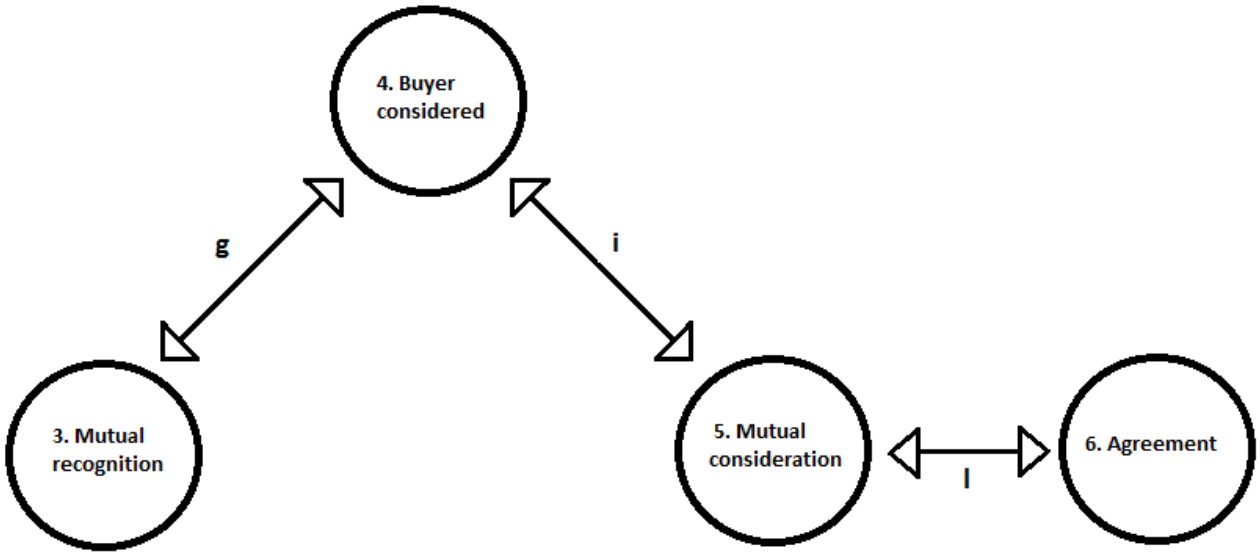

Figure 12: Transitions between statuses in the Songa Offshore project relationship

6.2.3.2 Inhibitors and convertors

Converters:

Third party engagement (service offering):

KM were involved with Statoil and GVA in the design of the Cat-D concept. This engagement gave KM knowledge about the concept and the coming project, and acted as a converter in the transition between status 3 and status 4.

"We knew about Statoil's Cat-D concept ... We had also cooperated with GVA on the design. So, we knew that the project was coming, but we did not know the ship owner or the shipbuilding company."

Previous experience with DSME (trust and service offering):

The previous experience with both the shipbuilding company is a strong factor deciding whether KM is placed on the AVL. This affects DSME's knowledge of KM's service offering, and the trust between the companies. This factor therefore acts as a converter from status 4 to status 5.

Pre-project service (service offering):

KM provided DSME with quotes for the systems and equipment they could deliver before being awarded the contract. The contact between DSME and KM marked the transition between status 4 and 5, and acted as a converter in this transition.

Inhibitors:

Accommodation (risk):

The extended process of technical clarification slowed down the transition between status 5 and status 6. This process was extended to reach an agreement and minimise the risk of delivering and receiving equipment and systems with a different technical standard than required.

"For this project we had three days of technical meetings to agree on the scope. Usually it takes one day."

Importance of the project (bonds):

The importance of the project meant that KM never considered to withdraw from the project initiation. This therefore acted as an inhibitor in the potential transition backwards to status 3.

On what was attractive for KM with the project"

"This is a highly prioritised project for Statoil, and it is important for us to be a part of it."

KM's preference of a project relationship with Statoil was a part of the importance of the project and acts as relationship inertia.

6.2.4 TPC PROJECT

6.2.4.1 Statuses and transitions

Aibel and Statoil had been working together for years, and had been cooperating on several projects, before the TPC project materialised. As already mentioned, the purpose of, and the need for the project was known to Aibel a long time in advance of the inquiry, so the distinction between the mutual recognition status, the buyer considered and mutual consideration is not a clear one. Following the definition of a project given in section 1.2, it is, however, clear that the formation of specific objectives and a certain amount of planning is needed for a potential project to form a real EPC project, whether it finally is started or not. The initiation that led to the TPC project therefore began at a time when both parties recognised each other but no project was yet considered. This corresponds with status 3 in the new model of initiation, where the seller is aware of the buyer, and knows that the buyer is aware of them.

From this status the project was a result of cooperation efforts between the parties. Aibel were involved in the screening studies with Statoil, where different solution concepts are explored. After

the screening studies, Aibel did the FEED with Statoil, which made the basis for the EPC project and the inquiry. From the results of the interview and the dynamics of the initiation phase it is clear that the parties went from the mutual recognition status directly to the mutual consideration via the forward transition denoted *k*. In this transition the seller and the buyer is developing a project together. Aibel were an active part in the initiation of this transition as they were active in developing the project in cooperation with Statoil. The development of the project was a long process and the FEED alone lasted for about 12 months. Aibel enters the screening studies to help Statoil solve a problem with the Troll A platform, and as such there is an intention to establish a business relationship related to this problem. However, the intention to enter the specific project relationship is not there from the beginning, since the project is not yet developed. This corresponds with the description of the transition, as an active and unintentional process.

The process leading to a project agreement begins with the inquiry from Statoil for Aibel to submit a tender. Aibel is an active part in submitting their tender and participating in clarification meetings and negotiation activities. Statoil is, however, the active part in the initiation of this transition by issuing the inquiry. Aibel is therefore a reactive part in this transition, corresponding with two theorised possibilities in the model. Following the model, the process is intentional from Aibel's perspective if they enter the transition with the intention of pursuing an agreement. By submitting the tender, Aibel enters this transition intentionally, and the process is therefore intentional. This corresponds with the description of the transition in the model.

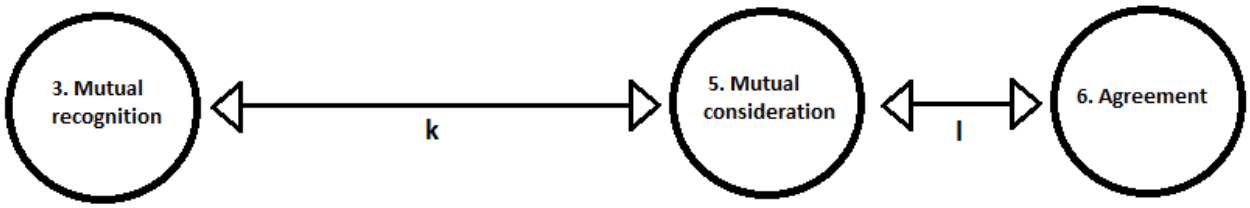

Figure 13: Transitions between statuses in the TPC project relationship

6.2.4.2 Inhibitors and convertors

Converters:

Service offering (service offering): An important factor that drove the transition denoted *k* from mutual recognition to mutual consideration is the fact that Aibel offers Statoil service with screening studies and the FEED. The screening studies are the basis for the FEED, and the FEED is the basis for the inquiry. If Aibel had not contributed in the screening studies and in the FEED, it would have been almost impossible to submit a tender or co-develop the project. On this basis, the service offering

is recognised as a converting factor.

“Before that (the FEED), you do the study work, and depending on the study work they might decide different concepts. Then you go into the FEED for the concept which is decided upon and you develop that concept further. You develop reliable schedules and you do cost estimates and layout drawings and structural drawings; Things which basically define the project.”

“…you use that FEED as a basis to go out on inquiry.”

Project experience (service offering and trust): The experience with the similar project TPK was probably a factor that led to Aibel’s partaking in the development of the project, and according to the results of the interview a factor that led to Aibel being awarded the contract. It is therefore one of the factors that act as a converter in the transition *k* from mutual recognition to mutual consideration, and from mutual consideration to agreement.

Technical experience (service offering): Aibel’s technical experience in the Asker office was another factor that drove the transition between mutual consideration and agreement. Had they not had this technical experience it would have been harder for Aibel to win the contract ahead of Aker Solutions. This makes technical experience a converting factor.

Company (platform) experience (service offering and trust): The experience gathered from working on the previous TPK project with the same client and at the same platform was a factor leading to the agreement. This factor, along with others, made it possible for Aibel to win the contract ahead of Aker Solutions. This factor also affected the transition between mutual recognition and mutual consideration, since the pre-qualification became a formality because of it. It therefore sped this transition up. On this basis, company experience is recognised as a converting factor.

The following quote on why Aibel won the contract illustrates the effect of Aibel’s project, technical and company experience:

“They knew that we had the technical competence here in Asker. They were probably concerned about the technical experience of the personnel working in Stavanger for Aker and we had done the previous compression module. We also had a lot of knowledge of the Troll platform, because at the time we had been doing the maintenance and modifications contract at the Troll platform for five-six years. We had a lot of people with knowledge of TPK. When we won this contract we were finishing

the Troll LQE contract which was completed a few months later. We had personnel who had been working with the Troll platform for years that we mobilised for this project. They knew the facility and were familiar with a lot of the issues and challenges. The fact that Statoil knew our people well from the Troll LQE contract and had worked with a number of them on the FEED played a big role in Statoil's positive evaluation of our tender."

Personal relationships (trust): Statoil utilises a grading system to evaluate the tenders they receive on their projects. The occasional subjective character of the basis for this grading, and the perceived effect personal relationships have on this, means that personal relationships in the tender organisation and prior engagements could have affected the process positively. It could have tipped the contract award in Aibel's favour, or it could have sped Statoil's decision process up, by replacing prolonged assessment of the tenders. On this basis, personal relationship is recognised as a converting factor.

Inhibitors:

Location (risk): Statoil wanted the project based in Europe. If Aibel only had operations outside of Europe, this could have caused Statoil to not include them in development of the project or in the inquiry. This would have stopped any transition into either mutual consideration or agreement. Location is therefore an inhibiting factor.

6.2.5 GEMC PROJECT

6.2.5.1 Statuses and transitions

As GEMC project is a continuation of the GEM contract between Aibel and ConocoPhillips. Aibel were prepared for the tender of the new contract and knew the timing of this process. Aibel was, however, not partaking in the development of the contract that ConocoPhillips tendered, and had therefore no specific contract or project to consider. Consequently, the initiation of the project relationship began when both parties recognised each other, currently working on the previous contract. In an undisclosed period before the inquiry was made, ConocoPhillips knew the specifications of the contract they would tender, and were considering Aibel for the project relationship. Otherwise, they would have no contract to tender, or they would not have inquired Aibel. The situation nonetheless corresponds with the mutual recognition status in the model. Both parties are aware of each other, and the Aibel as the seller is not considering the specific project.

The inquiry is the prerequisite and the cause for Aibel's consideration of the project presented in the inquiry. After receiving the inquiry, Aibel's status was that they were considering the project. The

inquiry is the activity that initiates the transition from the status where there is mutual recognition but no project consideration, to the status where there is mutual consideration of the project. At the same time, with the inquiry, ConocoPhillips had begun the process towards reaching a project agreement. The inquiry is, in other words, the activity that initiates the transition from a status where there is mutual consideration of the project, to the status where there is a project agreement. The inquiry is therefore both the activity that initiates the transition between status 3 and 5 and between status 5 and agreement. This seems to beg for a direct transition from the mutual recognition status to the agreement status in the model, but this will exclude the status of mutual consideration which is evidently present before the transition into the agreement status is completed. Aibel could, for instance, after the inquiry was made, refuse to submit a tender and this would cause the project relationship initiation to stop at a time when both parties are considering the project. This argues for the presence of the mutual consideration status.

The transition from mutual recognition to mutual consideration is initiated by ConocoPhillips with the inquiry. The inquiry corresponds with a signalling of an interest from their side to engage Aibel in the project. The transition has at this point is already begun, whether or not Aibel chooses to respond, and the initiation of this transition is thus not intentional from Aibel's side. Aibel responds to this inquiry with a tender, which makes them a reactive party. It is worthwhile to note that any response or non-response would still make Aibel a reactive party as the definition of reactive in this model is all absence of activeness.

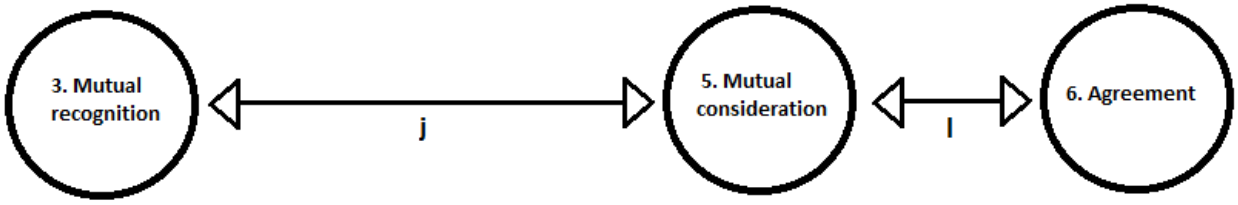

Figure 14: Transitions between statuses in the GEMC project relationship

6.2.5.2 Inhibitors and converters

Converters:

Personal relationships (trust): There are many instances of personal relationships between people working in Aibel and the Norwegian organisation of ConocoPhillips. Mr Refsland noted the positive effect this factor had on the tender process, and thus on the transition from status 5 to agreement:

"Yes, there is no doubt that the relationships we have built professionally, and in that respect also personally, creates a greater openness to gain things from each other. It is very important to have that relation."

Company relationship and project experience (service offering and trust): The fact that Aibel had the previous GEM contract with ConocoPhillips, meant that Aibel knew many of ConocoPhillips' expectations to the new contract, and had experience with many of the projects the framework contract would entail. This factor could have sped up their developing a tender. It could also contribute to the quality of their tender, and why ConocoPhillips awarded them the contract, in spite of the early conflicts. This makes company and project experience a potential converting factor. Mr Refsland noted that:

"We tried to exploit the relations we had with ConocoPhillips to present a tender that would meet their expectations to the execution."

Inhibitors:

Accommodation (risk): The negotiation process before the signing of the contract was longer than normal. The reason for this was that Aibel and ConocoPhillips had difficulties reaching an agreement on certain parameters in the contract. Aibel argues that the rates in the contract which was supposed to give a zero profit, actually will give a deficit. In light of this information, the failure of ConocoPhillips' headquarters' organisation to accommodate the parameters to Aibel's actual need was the reason for the prolonged negotiation process. This factor, in other words, slowed down the transition from status 5 to agreement.

"Houston came in and overruled the tender team that had developed the contract and given their recommendation. They went into Aibel's accounting to find what they meant were zero profit level, which now proves not to be zero profit, but deficit."

Incorporated specifications (bonds): In Mr Refsland's view, the reason why ConocoPhillips' headquarters' organisation got involved in the negotiation process in the first place, was the close connection between Aibel's and ConocoPhillips' GEM organisations. ConocoPhillips' headquarter were concerned that the development of a new contract would suffer from the culture and the behaviour that had been instilled in the previous contract.

"It is my perception that the reason why the negotiation process took so much time was the concern

ConocoPhillips had that there was no objective assessment of Aibel's tender. That it was so established that the tender team could not be objective in their assessment."

Project dependence (bonds): Despite Aibel impression of being forced to accept the conditions in the contract, they did not cancel the process. In this case the initiation of the project relationship would stop or possibly transition back to a mutual recognition status (if an inquiry or a tender could be made for the same contract). One of the reasons why Aibel did not back out and thus an inhibiting factor to cancellation or backwards transition was the importance of the contract to Aibel.

"It (the contract) gives a basic revenue to Aibel for many years which gives a good stability. So, for Aibel it is important to have this contract in order to have a steady activity level and the predictability."

6.3 Comparison between projects in Norway and in South Korea

The case studies of the three projects investigated in this research revealed a number of key points that is focused on in this thesis. These key points where described in the case description in section 5, and analysed in section 6.1 and 6.2 utilising the six states model and the model of project relationship initiation. This section will compare the findings in section 6.1 and 6.2 (marine equipment projects) with the analysis of the projects investigated in Rolfsen (2013) (construction projects). Secondly, the key points will be investigated in comparison with the projects in Rolfsen (2013), and analysed utilising the relevant literature presented in section 3 and the research context in section 2.

The research in Rolfsen (2013) showed that the project relationships between petroleum companies and service companies develop in a semi-linear process through unpredictable states. The research suggests a connection between activeness in the initiation, and the development of the project relationship. Activeness in the development of the project in the initiation phase leads to a lower need for maintenance activities in the initiation and development activities after the signing of the project contract.

The key points that were highlighted in the analysis of the case study findings were:

1. The project relationships between petroleum companies and service companies are developed in a semi-linear process through unpredictable states that involve certain activities. The

transitions between the states are both diffuse and indistinct. The transitions are, in other words, hard to recognise and that the relationships often show signs of being in more than one state at the same time.

2. A great deal of effort and time is invested in the two first states defined by searching and starting processes contributing to well-functioning project relationships. In spite of the high amount of pre-contract efforts, the complexity and size of the projects leads to unforeseeable occurrences and changes that does not benefit the objectives of the projects. These situations require additional development and maintenance processes to secure the continued functioning of the relationships.
3. The project relationships between petroleum companies and service companies are initiated from a status where both companies have experience with each other from previous projects. For the service companies, experience with the petroleum company and similar projects are essential factors in driving the initiation forward, ahead of competition, towards a project contract. The service companies either actively co-develop the project with the petroleum companies, or reactively respond to an inquiry to tender for a project that they have not been a direct part in developing. The tender process demonstrates that the petroleum company is realising a potential project, and in this process the service companies are a reactive part, answering to an inquiry.

6.3.1 DEVELOPMENT OF THE PROJECT RELATIONSHIPS

The following table 8 shows the identified states in the revised six states model for each of the five projects. For each state, the starting point, duration and endpoint is indicated, summarising main points that will be further analysed.

	State 1	State 2	State 3	State 4
TPC	Starting before screening studies due to field knowledge. Lasting until contract agreement.	Partly transitioning into state 2 before inquiry and more prominently from the inquiry. Lasting until the contract agreement	During the first months after contract agreement, during contract amendments, and during replacement of ICC manager.	Starting from the contract agreement, and more prominent later in the project.
GEMC	Starting before the bid for the project due to knowledge from previous contract. Lasting until the contract agreement.	Starting from the inquiry. Lasting until contract agreement.	Prominent early in the project stage, and continued presence throughout the project.	During the negotiations in the initiation phase, and during conflicts and changes in the project stage.
Goliat	Starting 1-2 years before contract agreement due to	Starting with the initial contact (inquiry). Lasting until contract agreement.	Starting one year to six months before contract agreement. Highly prominent after contract agreement. Continuing throughout the project.	Starting with the first delay in the project and more prominent with following delays.
Trans-ocean	Starting around a year before contract agreement with the DSME bidding for a contract with Transocean. Lasting until contract agreement.	From initial contact when DSME was bidding for a contract with Transocean. Lasting until contract agreement. Re-entered with renegotiation of delivery date in project stage.	Partly present from early initiation. Prominent from contract agreement until start of production.	Starting early in the project stage with the activities to find a solution for the delivery date. Lasting until the change in the contract was agreed.
Songa Offshore	Starting with the knowledge of the Cat-D concept, over a year before contract agreement.	Starting with initial contact when DSME was bidding for a contract with Songa Offshore. Lasting until contract agreement. Varying degree during several changes to contract in the project stage.	Partly starting with contract negotiation. More prominent after the contract agreement.	During the changes to the contract in the project stage that caused conflicts. From the delays in the project that caused changes to the construction sequence.

Table 8: Summarised development of the project relationships

Key points of analysis:

The TPC project and the GEMC project

1. Overlap of relationship states
2. Existing relationship before initiation

The Goliat project:

1. Existing personal relationships before initiation phase

2. High meeting activity in initiation phase
3. Occurrence of delays in project stage
4. Little official socialisation, and few people involved in regular meeting activity

The Transocean project:

1. Prolonged initiation phase
2. Change in delivery date
3. Low meeting activity in project stage. Little socialisation.

The Songa Offshore project:

1. Early engagement and commitment to project
2. Prolonged discussions of specifications
3. Changes due to delays
4. Decrease in meeting activity during the project stage

Similarities

Little state 1 activity due to existing relationships

One important similarity between all of the projects is the low activity related to state 1. In the TPC project Aibel was pre-qualified because of the relationship outside of the projects, and the pre-qualification process was simplified in the GEMC project. This decreased the need for cross-checking of competence, evaluation of partner, and matching of need and capability. Jotun, TMC and KM were all included in the AVL's for their separate projects because of previous experience in other projects. Because of the existing relationships and previous project experience, none of the companies had to search for each other.

The lack of searching activities in the projects suggest that the relationships are only partly in state 1. The previous experience could suggest that the relationships state is more accurately described by re-activation processes in state 6. However, none of the relationships are dormant before the specific project relationships begin because they have other projects ongoing at this point. Utilising the terminology of Polonsky et al. (2010), the relationships are neither inactivity or de-actualised as there is active engagement between the companies. The findings in this research suggest that the six state model cannot accurately describe the state of a relationship where activity exist and new projects are initiated. The previous existing activity in the relationships renders both state 1 and state 6 partly

inaccurate. At the same time there are an evident presence of some searching activities. The activity in the overall relationship between the partners is also increased in a manner that is not accurately described by either state 2 or state 4.

Overlap of states

As illustrated in figure 15, state 1 overlaps with state 2 in all the projects. Both initially last until contract agreement. State 3 is most prominent from contract agreement. State 4 also overlaps with state 3 at various points. One example in the GEMC project is the replacement of the contract director happening simultaneously with the activities of inter-organisational planning of activities and development of personal relationships. Another example in the Goliat project is the increase of resources due to delays occurring with a maintained regular meeting activity. These findings support the findings in Ford & Rosson (1982) stating that states unlike stages are one of several possible conditions, and that the process is not necessarily orderly or progressive.

Dissimilarities

Marine equipment project relationships show development activity in the initiation phase

The marine equipment projects have more activity related to development processes in state 3 in the initiation phase than the construction projects. From the inquiry in the Goliat project these activities include business discussions, identification of priorities and accommodation of partner. From the beginning of negotiations in the Songa Offshore project, they include high meeting activity and commitment of resources. In these phases in the two projects several activities therefore suggests that the relationships have strong presence in state 3. In the Transocean project, on the other hand, the only recognised state 3 activity is the development of personal relationships. This activity is overlapping with activities indicating a presence in state 1.

The six states model presented in this research does not initially suggest a possible transition between state 1 and 3. This was based on the model presented in Batonda et al. (2003) which left out any direct explanation of the lack of this transition in their model. In the analysis in section 6.1, the existence of an evolution between state 1 and 3 was discovered, and the transitions were included in the figures for the projects. These transitions do not imply that the relationships move into state 3 before entering state 2. Transitions are seen as an evolution from a state to another and in this sense the relationship is evolving from state 1 to state 2 and 3 simultaneously. In the Transocean project the relationship is showing the activity of development of personal relationship in relation with the project before the

companies make first official contact regarding this project. Mr Ranheim discusses future project opportunities with his personal acquaintances in DSME, while it is misguided to consider this the first contact between the companies for a project. Therefore, it is actually the case with this relationship that it moves partly into state 3 before entering state 2, as we can see in figure 15. However, further analysis will suggest that this particular activity is included as a part of state 1.

Since the six states model builds on the stage models in table 3, it is interesting to have a closer look at these models. While Dwyer et al. (1987) posits no interaction between partners in the searching processes, Wilson (1995) suggests initial interaction and social bonding may begin. In Larson (1992), personal relationships are one of the preconditions for exchange in the earliest stage. The analysis of the Transocean project suggest that activities to develop personal relationships can be present in the early initiation phase. In all of the projects investigated in this thesis, personal relationships exist before the initiation phase. Other activities before inquiry and negotiations are more corresponding with state 1. In other words, personal relationships are existing and developed, while other development processes are not occurring.

The presence of personal relationship development in the early initiation phase is also indirectly, yet strongly, supported by Polonsky et al. (2010). If companies have previous experience, social bonds are already established. Progressive relationship energy fostered by strong social ties and past favourable experiences, discourages the search for alternative partners and guides companies toward active engagement (Polonsky et al., 2010). Personal relationships are, in other words, active in bringing companies together in business such as project relationships.

Marine equipment project relationships show less development activity in the project stage

As shown in figure 15, the construction projects (Norwegian projects) have more activity related to development processes of state 3 than the marine equipment projects (Projects in South Korea). In the TCP project there were several team building events in the first three-four months, and the inclusion of the organisation in Thailand with the contract amendment required integration activities. The GEMC project also featured several team building events, and the replacement of the contractual organisation and replacement of the project manager also required integration activities. In the Goliat project there are few official socialisation activities, and the unofficial socialisation activity and most the meeting activity involves a small part of the project organisation. However, there are also weekly meetings between “many different departments from both companies”. In the Songa Offshore project

there have been two kick off meetings, workshops. KM also deploy service personnel at the yards. The project manager however, only meets with the yard around every two months. A lower development activity is especially noticeable in the TMC project. The project feature very little socialisation activity. Most of the communication is handled by e-mail and telephone, and meeting activity is ad hoc. TMC's subsidiary also have few of the functions related to the project.

Some findings in this research seem to be in conflict with theory presented in section 3.4. The lack of frequent social exchange between the companies in the Transocean and the Songa Offshore project contrasts Hallen (1986) and Hakansson & Snehota (1995). The social exchange between Jotun and HHI in the Goliat project is limited to the coating advisors, while regular meeting activity involves many different departments.

The reason for the lower development activity in the marine equipment projects might be the difference in the deliverables in the projects. While the construction projects have larger deliverables (in terms of value, amount and complexity), the marine equipment projects have smaller, specialised equipment deliverables. Larger deliverables might require more development processes such as communication, integration and inter-organisational relationships. The social, cultural and especially the geographical distance between the parts might also shed light on the lack of development processes. This is especially relevant for the TMC project, as TMC has the subsidiary with the smallest organisation and the fewest functions in South Korea. Few of these functions are related to the development processes.

The subsidiaries of Jotun and KM in South Korea are much larger organisations and have more functions related to the project stage. This argues against the distance being the reason for the fewer development activities. The importance of building personal relationships and trust in the South Korean business culture is also contradicting the lack of these activities. However, the tendency to follow established procedures, the limiting role of hierarchy and strong company loyalty are factors that can explain this lack. As an example, Jotun is co-arranging social activities with HHI only biannually, while the coating advisors socialise unofficially with their contacts in HHI every week. This unofficial activity might be more prominent without the research data accounting for it.

The following figure 15 shows the prominence of each state in each project with darker colour indicating more activity related to the state. The figure also shows the various overlap of the states.

The figure does not show the duration of the project stages of the different projects, nor the exact duration or point in time of the occurrences in the project stages.

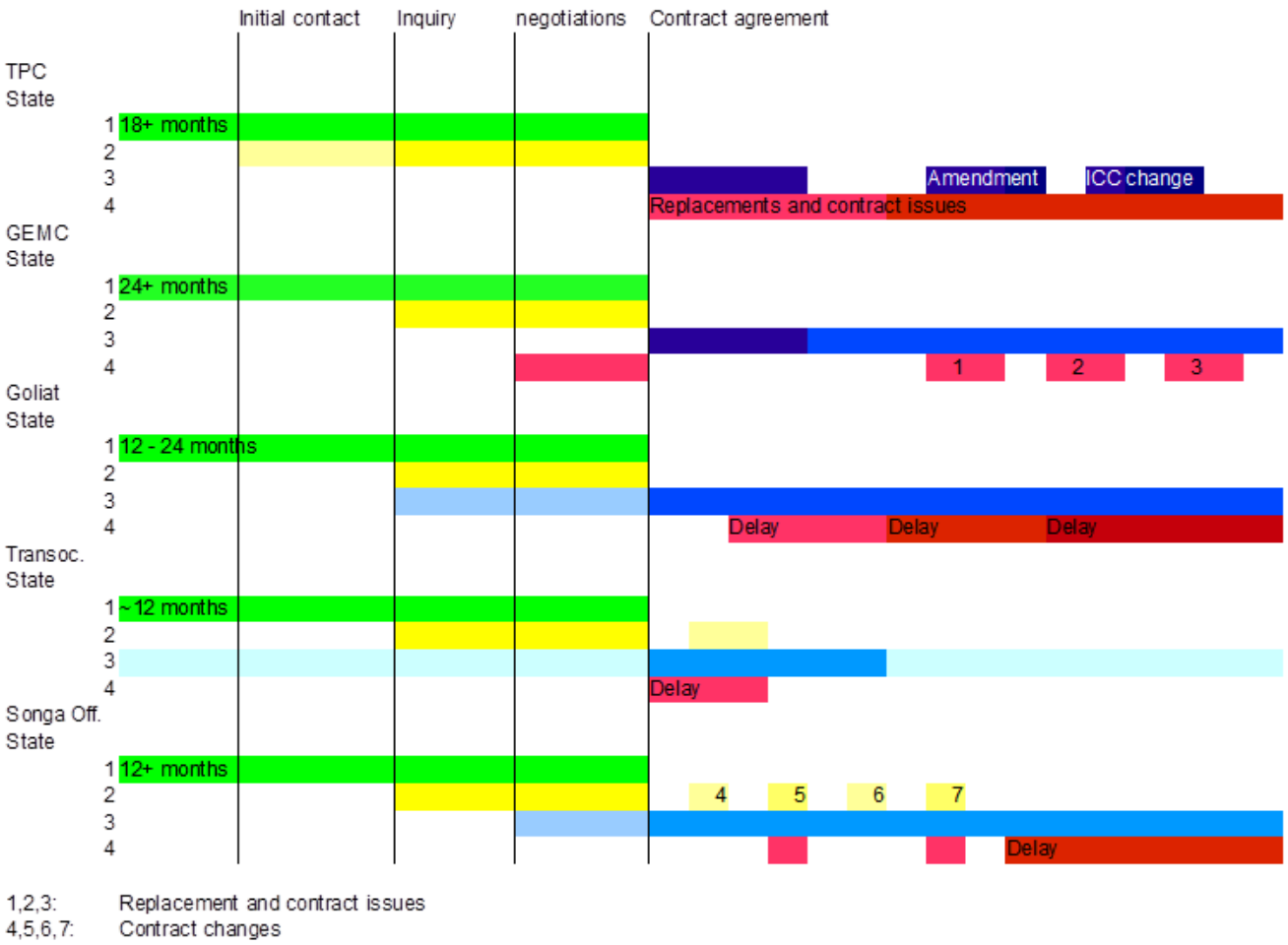

Figure 15: Development of the project relationships through states

6.3.2 INITIATION OF THE PROJECT RELATIONSHIPS

Key points of analysis

1. Previous relationship in all of the projects.
2. Long and complex (gradual) initiation phase

All the respective partners in the project relationships have had previous project relationships

In the analysis utilising the new model of relationship initiation all the relationships begin in the same status, status 3: mutual recognition.

The investigation of project relationships between Norwegian marine equipment supplier companies and South Korean shipbuilding companies has shown the prevalence of existing relationships prior to initiation. In comparison with project relationships between Norwegian oil service companies and oil companies operating on the Norwegian continental shelf, the same prevalence is also apparent. Edvardsson et al. (2008) states that the transition from a recognition status to a considered status is based on long-term experiences and demonstration of suitability. The previous project relationships between the partners in all projects, means that these partners already have long-term experience with each other. It also means that they have proven their non-project-specific suitability and might have shown suitability on similar projects. These should therefore be factors that drive the relationships towards a considered status.

The existence of personal relationships before the initiation phase corresponds well with the theory of social embeddedness presented in section 2.4.2. The personal relationships between the companies investigated in this research could have signalled reliability and competence and acted as first contact, access, information and recommendations. Nebus (2006) states that social relations can serve as information sources for a selling company. Examples of how the seller gains information from the buyer through personal relationships are as examples found in the Goliat and the Transocean projects:

> Jotun's network, which provided them information of the Goliat project includes the personal relationships they have with HHI:
>
> "We get that kind of information from our network. Also from the yards, from their sales and business development department. We have a relationship with them so we can find out that kind of information..."
>
> The sales manager in TMC, Mr Ranheim, discuss future opportunities with DSME in informal meetings:
>
> "In relation with this project I was meeting with the guy in the purchasing department and had a friendly talk with him … and talked a bit about other things that are in the pipeline for the future."

In Aarikka-Stenroos (2008), *building conditions to operate* is a sub-process of initiation. This process feature trust creation and getting acquainted through social relations and other interactions. For all projects, as suggested in Rolfsen (2013), the fact that the parties have been involved in prior project

relationships might mitigate the need for these activities. In the construction project relationships, the presence of activities to create trust, to get acquainted and to gain mutual understanding were more apparent in the processes of team-building after the agreement was reached. This is also the findings for the Songa Offshore project. The sub-process of *building conditions to operate* is therefore not a key feature in the initiation phase of these projects, as is suggested in section 2.4.4. In the Goliat project, the high meeting activity in South Korea as well as in Norway is interpreted as a process to build trust and mutual understanding. Individuals were already acquainted as the project personnel in Jotun knew the people involved from HHI, from previous and other ongoing projects. The close relationship between Mr Ranheim and his partners in DSME, and the informal nature of his general meetings with DSME is interpreted as activities to build trust and understanding, but is not directly connected to the project. The findings from the interviews concerning these projects still suggest some presence of this sub-process.

The previous project experience does not remove the need for a range of activities that can be recognised as the sub-process of *constant information gathering and providing, performance scanning and performance verification*. This sub-process is identified in the initiation of all the analysed project relationships. In the TPC project, the co-development of the project entailed a constant sharing of information about the other party's operations. In the GEMC project the highly similar GEM project also entailed constant information sharing. The tender clarification and negotiation process of both projects rely on performance evaluation of previous projects, and sharing of information. The initiation phase of the marine equipment projects featured the process of clarifying technical specifications which involved sharing of documentation. The documentation the marine equipment companies sent in response to the inquiries are part of the shipbuilding companies' evaluation of the contract offer, and as such consistent with the definition of the sub-process in section 2.4.4. The tendering of the projects represents a forming and defining of the project transactions, and the negotiation process entails negotiations and bargaining over rates and specifications. The sub-process of *forming and defining the first focal transaction* is therefore also recognised in the analysis.

Previous project experience also influenced the sub-process of *identifying matching, attractive partner* found in all five project relationships. Social relations played a significant role in the negotiation process of the GEMC project. In the TPC project, Statoil's evaluation of Aibel's previous performance played a determining role. The previous relationships simplified the pre-qualification processes for the construction projects, and secured the marine equipment companies a place in the AVL. *Creation of access* was not a significant feature in the interview findings for any of the project relationships. The fact that the companies had cooperated with each other in previous project, and

thereby already established access, might be the reason for this. Jotun were matching their capabilities in meetings with ENI before HHI was awarded the project, while KM were cross-checking DSME's competence in the initiation phase, in spite of previous experience.

The sub-process of *Recognising the need and motivation* for the project relationships is recognised in the all projects as a part of the searching processes in the six states model. In the marine equipment project relationships, this process is influenced by the previous relationships between the partners. All three marine equipment companies were contacted in search for expert information on technical or commercial information on the equipment. As the interviews findings also have verified, the inclusion in the AVL is considered impossible without previous experience. Inclusion in the AVL is a prerequisite for this contact.

For the construction projects, the activities of forecasting the future of the project relationships through planning of activities in relation to project goals are identified in the team-building activities after initiation, while matching of personal compatibility is recognised in the clarification process. An example of this is the replacement of a candidate in the clarification process of the TPC project. The sub-process of *planning and forming the future of potential relationship* is therefore only partly recognised in the initiation process. In the marine equipment projects, this sub-process was not identified in the interview findings.

Summarising the analysis of the sub-processes identified in Aarikka-Stenroos, most of the sub-processes of initiation are recognised in the analysis of the interview findings, while a few are not present. The absence of some of the sub-processes can be partly explained by the previous similar project relationships between the same companies.

The initiation phase is long in duration and a gradual process

From this status the GEMC project, the Goliat project and the Transocean project follow the same transition, j, to status 5: mutual consideration. In these projects Jotun and TMC have knowledge of the potential project relationships before this transition begins. However, in these projects there is no clear evidence that the seller (Jotun and TMC) was considering a developed project with a specific buyer. In the Songa Offshore project KM was already involved in the project before they were contacted by DSME. KM was already investing in the project and had knowledge of the project specifications. DSME was at this point one of the shipbuilding companies KM anticipated could win the construction contract. In light of this, the transition into buyer considered is identified. It is

possible that DSME was considering KM for the project before they made the contact requesting the quotes, but KM could not have been certain of this.

In the case of the Transocean project, it is likely that TMC and DSME were discussing the potential project before the transition began. Mr Ranheim regularly meets with DSME to discuss, among other things, future business opportunities. Also in the case of the Goliat project, it is possible that Jotun regarded HHI as a likely partner before they were contacted. In both cases, the project specifications are however not fully developed or in the knowledge of the selling company. The cases and the analysis shows that the start of the transition is not clear-cut. The development of the project can be a highly gradual process, and the discussion between the companies do not follow a standard approach.

Edvardsson et al. (2008) states that the statuses in their new model of relationship initiation are distinct and stable. This is interpreted to mean that they are easily distinguishable from each other. The findings in this research suggest that the transition between a recognised status and a considered status is a gradual process, and that the two statuses therefore are not easily distinguishable. In the model of Edvardsson et al. (2008) and the new model constructed and utilised for this thesis' case analysis the considered status and the mutual consideration status both occur when representatives from both parties discuss objectives and scope of an assignment. The case studies in this thesis reveals that the discussions between two parts around a project begins years before the development of the project is finalised. At this point the shipbuilding company is not yet awarded the construction contract, and the information that the parts of the project can discuss is limited. If *discussion of objectives and scope* cover all discussions related to a project, whether it is unofficial or official and no matter which parts of the organisations are discussing, the considered status and mutual consideration covers a broad range of situations. These situations will also have a relatively large difference in closeness to a business agreement.

Comparing the initiation processes of the different projects with selling literature presented in section 3.5.2, both the prospecting and pre-approaching processes in Moncrief & Marshall (2005) are bypassed. The prospecting processes were bypassed because of the reactive transitions from the recognition to the considered status. With the exception of the TPC project, the projects researched in this thesis were already established by a project owner when the initiation process began. This means that the choice of buyer for these projects were that of the project owner and not the seller. As an example, the buyer (HHI) in the Goliat project was chosen (contracted) by the project owners (ENI and Statoil) and not the seller (Jotun). For the Goliat project there was only one potential customer

(HHI), and prospecting for other customers is purposeless. The pre-approaching processes were majorly bypassed because of the already existing relationships and the experience from previous project between the companies. Researching the potential customer is not necessary. This is also evident in the lack of searching activities in the analysis utilising the six states model.

Inhibitors and converters

The following table summarises and compares the identified presence of inhibitors and converters in the different projects:

Inhibitor	TPC	GEMC	Goliat	Transocean	Songa Off.
Accommodation		●		●	●
Location	●				
Incorporated specifications		●			
Importance of project		●		●	●
Converter					
Personal relationships	●	●		●	
Previous experience with partner	●	●	●	●	●
Previous experience with third party			●	●	
Third party engagement					●
Product specialisation				●	
Pre-project service	●		●	●	●
Third party service				●	
Technical capability	●		●		
Project type				●	
Project experience	●			●	
Business network			●		

Table 9: Presence of inhibitors and converters in the project relationships

There are two inhibitors, *location* and *incorporated specifications* that are only present in the construction projects. All the inhibitors that were identified in the marine equipment projects were categorised within the three inhibiting factors presented in section 3.5.4. As location can be recognised as a *risk* factor, and *incorporated specifications* as a *bonds* factor, this also is the case for the construction projects. For the converters, there are six converters that are only present in the marine equipment projects: *previous experience with third party*, *third party engagement*, *product specialisation*, *third party service*, *project type*, and *business network*. As all the converters identified in the marine project were categorised within the three converting factors in 3.5.4, these factors account for the total sum of converters. The total sum of inhibitors and converters therefore fall within the categories presented in Edvardsson et al. (2008).

Looking at the table, one of the apparent dissimilarities between the marine equipment projects and the construction projects is the presence of a third party. Previous experience with a third party acts as a converter in the Goliat project, and in the Transocean project. Jotun's experience with ENI, and TMC's experience with Transocean were contributing to a contract agreement with HHI and DSME respectively.

In relation to the transitions between statuses, it is interesting to note that the Songa Offshore is the only project were engagement in a third party's operation in connection with the project acts as a converter. KM takes part in the construction of the ship design. As argued in section 6.2.3.1, this is a factor that causes the transition labelled g into status 4: buyer considered. In this project, unlike the other marine equipment projects, previous experience was not recognised as a converting factor in any of the transitions. The investments that KM made in the ship design in relation with the other third party Statoil could be a factor that made experience with the owner, Songa Offshore, less important.

With basis in this analysis, and the case descriptions, it is noticeable that third parties play a more important role in the marine equipment project relationships than in the construction project relationships. In state theory, and particularly presented as part of the six states model in section 3.4.4, third parties feature as a facilitator of contact in the searching processes. The findings in this thesis's research indicate that a third party can play an important role as a reference or decision maker when the buyer is choosing which sellers to evaluate for a project.

It is also interesting to note that accommodation and importance of project do not feature as inhibitors for the TPC project. The TPC project also stand out from the other project in terms of the transitions between statuses. The relationship between Aibel and Statoil in this project follows the transition k, indicating that the partners were co-developing the project. For the other projects, with the exception of the Goliat project, problems regarding each of the companies needs arose in the negotiation of specifications. The co-development of the TPC project could contribute to the lack of problems the parts had with accommodation of each other’s needs in the negotiations.

The service offering converters are identified as: *previous experience with partner and third party*, *third party engagement*, *product specialisation*, *pre-project and third party service*, *technical capability*, *project type*, *project experience*, and *business network*. In relation to the sub-processes of Aarikka-Stenroos (2008) presented in section 3.5.3, these are all part of the *recognition of the need or motivation to enter a project relationship* and *identification of matching, attractive partner*. In

other words, these converting factors are the important factors that decide whether or not a seller considers and chooses a buyer for a project and vice versa. The processes that facilitate the knowledge of these factors are the information gathering, performance scanning and verification. As an example, TMC's previous experience with Transocean and the service that TMC offers Transocean on the ships in operation acts as one source of Transocean's information on TMC and the performance scanning and verification. Based on the knowledge of TMC's experience with them and their service, Transocean identifies TMC as a matching partner and recognises the motivation for a project relationship between DSME and Transocean.

The service offering converters are also part of the defining of the focal transaction. As an example, the *technical ability* needs to be fully demonstrated during the negotiation of specifications in a technical clarification process. The risk inhibitor of *accommodation* and the bonds inhibitor of *importance of project* play opposite roles to each other in this process. Accommodation slows down the process by acting as the need for the partners to negotiate conditions that both parts can accept. The importance of the project ensures that the relationship does not fail and move backwards in the negotiation. The further the conditions of the partners are from each other, the higher the need for accommodation is. The higher the need for accommodation is, the greater the effect of the importance of the project or other inhibitors can be.

The process of *building of conditions to operate* relates to the importance of personal relationships. Trust is essential for a healthy cooperation, and is mainly built through communication and the development of personal relationships.

6.3.3 ROLE OF THE SUBSIDIARY

Section 3.1 presented theory on how subsidiaries normally functions in the initiation and development of business relationships. Among others, the factors of size, industry, local environment, expertise and experience, and structural context were found to have an impact on the function. This section will investigate these factors in relation to the different companies investigated in this research and seeks to shed light on the findings in 6.3.1 and 6.3.2. Table 10 summarises the analysis.

Technological dynamism

In the Goliat project, Jotun is delivering marine protective coating. The industry is highly dependent on technological development and product innovation. Increasingly stringent environmental legislation, paralleled by customer preference for more eco-friendly products, is pushing innovation

in the market (Schulte, 2013). In the Transocean project, TMC delivers marine screw compressors. According to TMC, their compressor technology give smaller products that save more energy than their competitors (TMC, 2009). According to a study from 2003, screw compressors is a mature product that is compact, efficient and reliable. Despite an established role in the industry, even small advances in any feature will give a distinctive improvement that can give commercial advantage (Stosic et al., 2003). The screw compressor industry is in other words mature in terms of innovation, while small improvements can give commercial advantage. KM is delivering systems for navigation and automation in the Songa Offshore project. These systems are highly technical and modern and rely on constant innovation. KM's portfolio within oil and gas is relatively small, but comprises unique and newly-developed solutions (Kongsberg, 2014). According to EMEC, the marine equipment market as a whole, dependent on the shipbuilding industry, is driven by technological innovation. A leading position cannot be sustained on prices alone (EMEC, 2014).

Competition

Jotun competed with three other companies for the Goliat project. International Paint, PPC and KCC. According to Mr Ranheim, TMC usually competes with two-three companies for the projects they bid for. For a project of the size of the Transocean project, these are typically based in Germany or USA. According to Mr Simonsen, KM have one main competitor in General Electric, and for this project they were the only real competitor due to the complexity of the project. In spite of few competitors, the limited number of projects, and the size and importance of projects increases the competition.

Expertise and experience

Jotun and KM have been located in South Korea for 26 and 15 years, respectively, implying a relative strong experience with the South Korean markets within their industry. These companies also fulfil many of the companies' functions within the subsidiary organisations. Jotun's subsidiary has expertise related to research and development of products, sales functions, market development and production. KM's subsidiary has expertise in sales, support, commissioning and training services.

TMC have been present in the South Korean market for roughly 16 years. The first 12 years, the company operated through an agent, providing little expertise within the company's functions. The subsidiary in South Korea was in 2011, making it a relatively young company. TMC has limited support expertise, while company representatives such as project and sales managers visits the subsidiary and provides expertise within all the company's functions. This expertise is thus only available at certain limited periods.

Factor	Jotun	TMC	KM
Subsidiary size	300 employees Headquarter and 4 site offices	5 employees Headquarter	260 employees Headquarter and 3 site offices
Industry	Marine coatings	Compressed air systems for marine and offshore	Products and systems for dynamic positioning, navigation and automation for merchant vessels and offshore installation
Local environment. competition: technological dynamism:	Limited number of suppliers in the AVL. High competition for projects. High technological dynamism.	Limited number of suppliers in the AVL. High competition for projects. Medium technological dynamism.	Limited number of suppliers in the AVL. High competition for projects. High technological dynamism.
Structural context	Leading-edge industry cluster		
Expertise and experience	High expertise High experience	Low/medium expertise Low/medium experience	High expertise High experience
Company profile in global markets (nine windows)	Globally Mature*	Globally Mature*	Globally Mature*
Industry structure	Potentially global industry*		

Table 10: Summary of context factors

* See section 3.1.1

Following the theory presented in section 3.1, most of the factors suggest a high decision-making autonomy in all three subsidiaries. The local environment feature high competition and medium to high technological dynamism which indicates a high complexity. Given a high complexity of the local environment, the subsidiaries should benefit from high autonomy. The structural context of a leading-edge marine equipment industry cluster tend to have a higher degree of decision-making autonomy that can improve local embeddedness. Given the specific industries and the feature of decisions regarding product design and manufacturing process also indicates a higher decision-making autonomy. This factor is stronger for the Goliat and the Songa Offshore projects as the products that are delivered feature more customisation. In connection with the structural context, the subsidiaries vary greatly in size. Jotun and KM have relatively large subsidiaries compared with TMC. Finally, the expertise and experience vary in a manner corresponding with size of the subsidiary. While Jotun and KM's large subsidiaries have longer experience and expertise, TMC's subsidiary fulfil fewer functions and have lower amount of expertise.

Jotun's subsidiary in South Korea control most of the processes in the Goliat project and have as such a high degree of subsidiary autonomy. This corresponds with the analysis. In the Songa Offshore

project, the processes are divided between the subsidiary and the headquarter organisation in Norway, partly conflicting with the analysis. However, given the size of the subsidiary, this can be understood as an outsourcing of decision-making back to the headquarter organisation, as suggested by Johnston and Menguc (2007). Only the documentation and some service, constituting a small part of the Transocean project, is run from TMC's subsidiary in South Korea. The decision-making in these processes are also mostly controlled by the headquarter organisation. This indicates a low decision-making autonomy in TMC's subsidiary in South Korea. TMC's subsidiary is comparatively small. This factor as well as expertise and experience are depending on the presence of Mr Ranheim, who partly work in the subsidiary.

Seen in connection with the analysis in section 6.3.1 and 6.3.2, a lower degree of decision-making autonomy can partly account for a lower degree of development activities in the project stage. This is especially apparent in the Transocean project. Development processes include activities such as inter-organisational planning of activities, responsibilities and relationships, direct involvement through regular contact and socialisation, accommodation of partner through commitment of resources, and development of personal relationships and trust. A low degree of subsidiary autonomy can make the inclusion of these activities harder, as they are not necessarily explicitly important for the progress of the project. TMC, who has the lowest degree of autonomy show the least amount of development activities during the project stage. Among the marine equipment companies, Jotun with seemingly the highest degree of autonomy, show the most development activity during the project stage. The construction projects, who are run by the headquarter organisation of Aibel in Norway, show a higher amount of these development activities.

In addition, this factor can partly account for the higher development activity seen during the initiation phase of the marine equipment projects. The initiation phase of these projects are characterised by high meeting activity involving people who travel from Norway to South Korea and vice versa. The lack of the right experience, expertise or resources in general in the subsidiary country can increase the need for accommodation and contact in the initiation phase to avoid the need for this during the project stage. It can also increase the need of development of trust and personal relationships for each project as people involved in the projects work in different countries.

Finally, the low degree of decision-making autonomy also sheds light on the reactive transitions in the initiation of the projects. An active approach to consideration of projects can involve co-development of projects with partner or consideration of project via pre-project preparations or development. These activities will require close contact with partner and third-party companies and

the presence of experience and expertise. The discovery and initiation of these activities will require important decisions regarding the strategy of the company and finance. These decisions therefore require a high local decision-making autonomy.

Creating a higher degree of subsidiary autonomy by increasing the expertise, experience, and resources that can control more of the project processes are supported by the analysis of the local environment and the structural context. Subsidiary expansion also corresponds with the analysis of the industry structure and the company profile in global markets. A higher degree of decision-making autonomy can lower the need for development processes in the initiation phase, such as accommodation of partner through travelling, and meeting activity. It can increase the development processes such as building personal relationships and trust in the project stage, and hereby reducing the social distance between the companies, discussed in section 3.4.1. This will also lessen the effects of the geographical distance between the companies.

7 DISCUSSIONS

7.1 THE DEVELOPMENT OF THE PROJECT RELATIONSHIPS

In general, the development of the project relationships evolve through states in a gradual manner. For most of the period of the project relationships, the relationship is in more than one state at one time. As shown in figure 15, state 1 usually overlaps with state 2 from the point of inquiry, while state 4 overlaps frequently with state 3 during the project stage. The development of the project relationships thus share similarities, and the states that are most evident in the different periods are mostly the same for all relationships.

The analysis still highlighted certain discrepancies that show how the project relationship development differs between the industries and the specific projects. The Goliat and the Songa Offshore project relationships were partly present in state 3 before the contract agreement. In the Goliat project, delays in the project has caused the relationship to transition increasingly into state 4 during the project stage, while maintaining its presence in state 3. The Transocean project relationship re-entered state 2 during the project stage, as did the Songa Offshore project relationship at different times. The TPC project relationship shows signs of having periods of stronger presence in state 3 during the project stage, while the GEMC project relationship entered state 4 prior to the contract agreement.

7.2 CROSS-CASE ANALYSIS OF RELATIONSHIP DEVELOPMENT

A cross-case analysis compared the construction project relationships with the marine equipment project relationships. This analysis uncovered certain similarities and dissimilarities. Existing relationships was a factor decreasing the need for state 1 activity in the relationships. This begs the question whether the relationships are initiated from a different state rather than state 1. However, none of the states in the revised six states model corresponds with the interview findings.

This analysis suggests an addition to the revised six states model and the as such the six states model in Batonda & Perry (2003). A project transition process is added to state 6. From the original model this state can describe the resumption of activity in an existing relationship due new business or the continuation of a relationship where it becomes inactive. The additional process of project transition describes the situation where there is activity in a relationship but this activity is significantly changed. In this process the change is due to the resumption or start-up of a new project, or the completion/termination or suspension of an existing project. The termination of one project, for example, might not lead to an inactive relationship if there are other business activities ongoing. However, it still leads to a significant change in the activity that the other states in the model fails to address. Following this addition, state 6 is not only describing change in activity that leads to a dormant relationship or a reactivated relationship, but all major change in activity. This research therefore suggests that the state label is changed to *activity change processes* in further utilisation of the model.

States	Description
State 6: activity change processes	• Relationship goes into inactive state due to change in business or project completion or failure to meet individual requirement. • Re-activation of network relationship due to resumption of business activity or emergency of new business opportunity • **Project transition: The degree of activity in a network relationship is changed due to resumption or start-up of a new project**

Table 11: Proposed change to the six states model framework

There is a strong overlap of activities mapped to different states in all relationships, suggesting that a relationship can exist in several states at one time. The revised six states model and states theory literature support this. This suggests that a state will give a valuable assessment or description of the development of a relationship, in spite of the presence of other states at the same time. An example

of this is the mapping of the activities surrounding the contract conflict in the GEMC project to state 4. This gives valuable information about the development of the relationship between Aibel and ConocoPhillips, even though the relationship were in state 1 and 2 at the same time.

The marine equipment project relationships show more activity related to the development processes in state 3 during the initiation phase than in the construction projects. Interestingly, the six states model that the model in this research builds on do not depict a transition between state 1 and state 3. In light of the findings, a transition is added to the revised six states model to accommodate further research. This transition goes from state 1 to state 3 and has the same definition as the other transitions in the model.

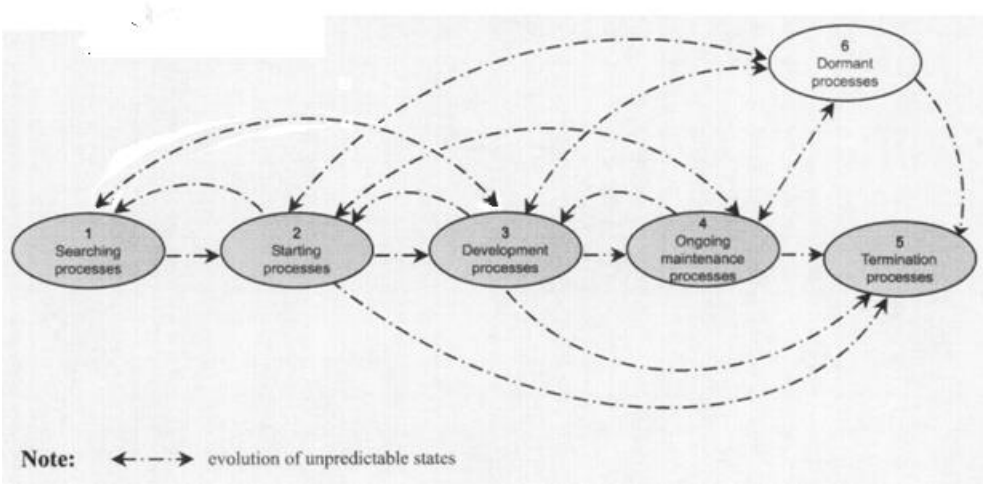

Figure 16: Revised six states model with additional transition depicted

As we saw in section 6.3.1.2, the activity of development of personal relationship in relation with the project, as a part of state 3, is often present in the early initiation phase. The other activities before inquiry and negotiations are more corresponding with state 1. The presence of this activity in the earlier states are supported by several state theory models, and also by some of those that the six state model is based upon. Based upon the findings in the analysis of the case projects, this thesis suggests that the activity of developing personal relationships is included in the state 1 in the revised six state model, the original six state model or any other state model utilised in future research. This activity should still remain an indicator of state 3, as it can be an important indicator of more than one state. Table 12 highlights the proposed change in the revised six states model.

States	Description
State 1: searching processes	• Recognition of purpose and need for going into network relationship • Searching for potential partners from outside and inside sources • Finding more information and cross-checking partners' competence • Looking for a match between need and capability • Evaluation and selection of potential partners based on prior experience, personal (social) and product (economical) attributes • **Developing personal relationship and mutual trust between partners** • No commitment

Table 12: Proposed additional searching activity in state 1

The construction projects show, on the other hand more activity related to state 3 than the marine equipment projects. The analysis shows a possible link between this dissimilarity, and cultural factors as well as the size of the subsidiary. The lack of state 3 activity in the marine equipment projects is shown to conflict with various literature. In this manner, the findings show that business relationships do not necessarily have to involve frequent direct contact between. Furthermore, the frequent contact do not have to happen between people with different roles. In a project like the Transocean project, social exchange connected to the project does not have to be the factor that drives the relationship, as long as trust is established and the transactions between the companies otherwise work.

7.3 THE INITIATION OF THE PROJECT RELATIONSHIPS

The initiation of the project relationships all begin from a status where the seller and the buyer have mutual recognition. By definition, this means that the focal firm (the seller) is aware of the buyer, and knows that the buyer is aware of them. In all the project relationships, the partners had cooperated on previous projects.

Three of the project relationship follow the same transitions in the initiation process. For the transition from status 3 to 5 in these projects the buyer contacts the seller and signals their interest in engaging them in a project as defined in section 1.2. In the Goliat project, the buyer instigated this contact by asking for support in evaluating the project specifications prior to the inquiry. Similarly, in the Transocean project, the buyer instigated this contact by asking for a budget price for construction prior to the inquiry. In the GEMC project, the inquiry is the activity that causes the transition to status 5. All of these transitions were reactive and unintentional.

The two remaining project relationships follow different transitions from status 3 to status 5. In the Songa Offshore project, the relationship firstly transitions into status 4 via the transition labelled g. KM, due to their investments in the potential project and anticipation of the shipbuilding company, were intentionally considering the project relationship with DSME. When DSME took initial contact with KM to ask for quotes, the relationship transitions into status 5 via the transition labelled j. In the TPC project, the relationship partners co-developed a project and thus transitions into status 5 via the transition k. This transition was an active and unintentional.

From status 5, all project relationship initiations followed a structured process with negotiation and specification development processes.

7.4 CROSS-CASE ANALYSIS OF RELATIONSHIP INITIATION

The prior project relationships between the partners in all five projects is a factor that influences the initiation of the relationships in many ways. Most of the effect seems to shorten and mitigate certain processes. The majority of these effects are shared between the construction projects and the marine equipment projects. In both categories, the existing relationships provide long-term experience and demonstration of suitability that drives the relationships from a status with recognition to a status of project consideration. They signal reliability and competence, and thus mitigate the need for trust creation and getting acquainted. Interestingly, some of these activities were still identified, but at different stages in the relationship. In the construction projects, they were more present in the project stage than in the initiation phase.

The prior relationships also influence the choice of partners in all the projects, and social relations play a significant role in specification development and negotiations. In the marine equipment projects, the prior relationships secured the seller a place on the AVL, as is a prerequisite. At the same time they acted as access point and determined the initial contact between companies. The previous experience facilitated the inquiry for assistance that the shipbuilding companies made prior to the project inquiry.

Inhibitors and convertors

All the inhibitors and converters that were identified in the marine equipment project as well as the construction project relationships can be described as one of the, in total, six factors outlined in section 3.5.4. As such they fall within these categories of inhibitors and converters, and support the research in Edvardsson et al. (2008).

In the marine equipment project relationships, previous experience and early engagement with a third party are shown to act as a converter, and can possibly offset for limited previous experience with a project owner. Third parties act as a reference, and in some cases directly influence the buyers choice of supplier through the construction of an AVL.

The analysis of the occurrence of inhibitors and converters suggests that a co-development of projects can mitigate accommodation issues in the negotiation phase. The analysis also show that the inhibitors and converters can be linked with certain key activities and processes in the initiation phase. This can help researchers and managers identify the activities that either on their own act as positive converters and inhibitors or produce results that do.

8 CONCLUSION

This thesis investigated the initiation and development of project relationships between Norwegian marine equipment suppliers located in South Korea and South Korean shipbuilding companies. The resulting analysis offered a perspective on why and how contracts are awarded. It also provided insight into how Norwegian marine equipment companies with subsidiaries in South Korea should operate to develop healthy and profitable relationships. Through a literature review covering the relevant research into this research field, models were developed to aid a case study on three separate projects. A research question asking how project relationships are initiated develop before and during the projects was answered through analysis and discussion.

The project relationships between Norwegian marine equipment companies and South Korean shipbuilding companies evolve through states. These states describe processes the relationship is undergoing, and indicate the activities that are being performed. The process of the relationship development is complex, iterative, and frequently non-linear. The relationships are in combinations of states, were some are more prominent than others. The initiation phase of the development is characterised by limited searching processes and more ostensive starting processes. This is mainly due to previous project relationships between the partners in the relationships. The contract agreement develops the relationship in a distinct way, shown by the quicker transition from states 1 and 2 into state 3. In the project stage, the limited state 3 activities are paralleled by maintenance processes of state 4 and occasionally starting processes of state 2. The project relationships show early signs of evolving into development activities in state 3, such as accommodation of partner, high degree of engagement in direct contact and extended negotiations. This early development activity is contrasted

by a lower degree of development activity in the project stage.

The initiation of the project relationships between Norwegian marine equipment companies and South Korean shipbuilding companies is a long and gradual process. The process begins in the early idea phase of the project owner or some other third party. Even though the buyer is not yet chosen at this stage, the supplier still begins the work to secure a project relationship with potential buyers. The supplier gains information and interest in a potential project and can speculate as to which buyer will potentially bid for the project. A supplier will typically, at this stage, leverage and develop relations with the project owner in order to secure a place on the AVL. A supplier might also engage with other third parties or develop relationships with these in an effort to gain further knowledge of the project and invest to secure a positional advantage to other suppliers.

The buyer's bid for the project with the project owner prompts a contact between the buyer and the supplier. The buyer requests technical or commercial information regarding a possible project, marking the first consideration of a specific project relationship between the two. This activity ensures the supplier that they are included on the AVL, and can reveal more information about the project. A position on the AVL secures the chance to inquire for the project.

After inquiry, a round of technical clarification of specifications is followed by commercial negotiations. Differing business culture, certain distance factors, as well as strong competition increases the need for negotiations, and often extends this activity beyond initial planning. Extended negotiations can lead to delays to project start-up. However, on the other hand, differing views on the specifications or incomplete specifications often leads to delays in the project stage. The high need for accommodation in the negotiation phase is counteracted by previous project and company experience from strong and long-lasting relationships between the companies.

8.1 MANAGERIAL IMPLICATIONS

Based on the case analysis, comparison and discussion of the findings, this section presents the implications this thesis have on managerial decisions. The advice aims to help marine equipment companies succeed in foreign markets.

Engage with third parties

Engage with third parties such as ship owners and oil companies and build a network with as many as possible of these. The relationships that are built with the buyer can be rendered insignificant if the

project owner does not approve of the supplier. On the assumption that the buyer secure projects with a largely unrestricted array of project owners, the relationship with a buyer does not dictate the project owner, with which a relationship can be necessary.

Consider subsidiary expansion in order to take a dominant market position

The South Korean marine equipment industry is a leading-edge marine equipment industry cluster. This makes the market central to international and national countries seeking to globalise, and the process of globalisation will thus draw companies to the country. A dominant market position will enable the company to influence and tackle politically and marked driven changes that can result from the globalisation process. It will also enable the companies to build stronger relationships with the shipbuilding companies, through regular contacts and inter-organisational activities. The previous project experience is vital to the initiation process of new project relationships. The companies are in a stronger position to influence and drive the processes that create this experience.

Experience and expertise is important in order to increase the decision making autonomy of the subsidiaries. This autonomy determines the degree of control the subsidiaries have of the initiation and development processes. A higher autonomy can facilitate an increase in the development activities during the project stage, which in turn can strengthen personal relationships and individual experience, and mitigate the conflicts that can be caused by cultural differences and cultural distances. This autonomy can also create new business opportunities by increasing the local embeddedness of the company.

8.2 FURTHER RESEARCH

The analysis of the initiation and development of the case project relationships reveal that the initiation phase is a long and gradual process. The model for project relationship initiation presented in section 3.5.5 has limitations to how well it captures the various processes between the statuses of recognition and consideration. Crucially, these processes have a strong influence on whether or not the projects will materialise. The new model of relationship initiation process constructed in Edvardsson et al. (2008) and presented in section 3.5.4, takes the buyer's perspective and defines the considered status to occur when there are discussions between the parties. The model constructed in this thesis shifted the perspective to the sellers as the focal firms of investigation. The additional status of buyer considered was added and the definition of consideration was altered. The purpose of this change was to capture the processes related to project consideration whether or not the buyer was undergoing them, and whether or not there were discussions between the parts. However, because of

the definition of a project, and the need for a specified relationship partner of consideration, the consideration statuses still occur at an advanced point in the processes leading to a project relationship. Typically, this point is close to the project inquiry from the buyer. At this stage, the seller has spent years actively pursuing the earlier stages of the project, even though the potential buyer was unknown and specifications were not fully developed. Further research can on this basis benefit from further developing of the initiation models, with a focus on the processes between the recognition and consideration statuses, or creating new models to capture these processes.

This thesis investigates project relationships within the specific industries of marine equipment and shipbuilding. The interview findings and the analysis suggest that there are certain phases a marine equipment supplier is going through in an effort to acquire new projects. These phases begin with the early plans for construction of ships or offshore installations. At this stage, the marine equipment supplier can seek to acquire information related to a need for marine equipment. The existence of a relationship with the ship owner or oil company (third party) is an important factor at this stage. A change occurs when the project owner tenders the construction project to potential shipbuilding companies. This signals that the project will in fact materialise. At the same time it gives the marine equipment supplier information on the type of equipment that will be needed based on the expertise of the shipbuilding companies, and supplies a list of potential buyers. The shipbuilding companies selected for the tender will have a strong influence on the further work to secure a marine equipment project based on previous relationships and location. It can also incite a discussion of a potential relationship between the parties, formal or informal and on project specifications or other topics. Finally, a shipbuilding company is awarded the construction project, and the buyer is specified. Relationships with both the project owner and the buyer will influence whether the supplier is selected for an inquiry. At this point, the development of specifications for the project for marine equipment can still continue, leaving the project unspecified. Further research should investigate these phases to increase the understanding of how project relationships are initiated in the marine equipment industry, and what processes and factors that influence the success of these efforts.

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