

MASTER THESIS

An investigation and analysis of Acergy's start-up in St. John's

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Abstract

The thesis provides an analysis of an ongoing internationalization process. We are in this study looking at Acergy's expansion into the Canadian oil and gas market, with a focus on the establishment of a new office situated in St. John's. The main idea of the study is analyze Acergy's start-up in St. John's from an entrepreneurial perspective, while we at the same time answer our research question:

“Have the Pro-Dive Acergy alliance been a beneficial part of the entrepreneurial process of setting up a new Acergy office in St. John's?”

To supplement our research we have implemented theory on entrepreneurship and strategic alliances. We have further discussed the establishment in regards to this theory. Besides looking at the entrepreneurial aspects of the expansion, we also focus on the entry strategy chosen by the organization. As an entry strategy, Acergy decided to enter into a three year strategic alliance agreement with the local partner Pro-Dive. As a result of the alliance, Acergy hoped to get easier access to the market and market knowledge. We have in our thesis concluded that the alliance have been a beneficial part of the process of setting up the office.

Preface

Writing the master thesis is our final obligatory part of the Master of Science in Business education at Bodø Graduate School of Business. The thesis has been written for specialization in International Business and counts for 30 credits. The main task of the thesis is to demonstrate independent work with a problem statement resulting in the presentation of a written report.

We would first of all express our gratitude to Bodø Graduate School of Business. We are grateful for the five years we have spent studying here, thank you for letting us.

We have during our research received advice and guidance, which have significantly helped us in the process of completing our thesis. Here, we would like to give our sincere thanks to our supervisor Tor Korneliussen for his advice, comments and guidance. We also want to thank Tine Westerberg in the Norwegian Shipowners Association for introducing us to Acergy, and Siri Skaar in Acergy for introducing us to the office in St. John's.

We finally would like to thank Simon Hume and his team in St. John's for providing us with the information we needed in order to write the thesis. Without their cooperation, we would have been unable to conduct our research.

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About the researchers

There are two writers of this master thesis. We are both in our final year of our Master of Science in Business degree. We started our education at Bodø Graduate School of Business in Bodø, Norway. We both have a specialization in entrepreneurship and small business management from our bachelor degree. After finishing our bachelor degree in Bodø, we went to Deakin University, Melbourne, Australia, to take the first year of our Master degree. After one year in Australia we have now returned to Bodø Graduate School of Business to finish our master degree with a specialization in international business.

The two different specializations we have through our bachelor and master degrees have given us a good understanding of two important aspects of this assignment; from our bachelor degree we have a good understanding of entrepreneurship and the processes related to starting up a new office. Even though our specialization was focusing on new businesses, the process is not that different compared to establishing a new office. The entrepreneurial skills of the management will be just as important for Acergy as for any new company. The specialization we have from our master degree will be even more relevant in regards to our master thesis. After completing units like International Business Strategy, International Business Management, International Marketing and International Economics, we feel that we have built a solid foundation in regards to preparing for our master thesis. There is especially one individual assignment we did in International Business Strategy that we really learned a lot by doing. The assignment involved taking a domestic firm of our own choice into a new foreign market. The reason why we learned so much by doing this assignment is that we were sort of on our own. The lecturer would tell us what to be aware of, but we had to make the necessary considerations ourselves. By doing this assignment, we have some insight in what obstacles firms may meet when entering a foreign market.

Summary

Our research problem is to analyze Acergy's start-up in St. John's. To reduce the research problem down to a manageable task we have developed the following research question:

“Have the Pro-Dive Acergy alliance been a beneficial part of the entrepreneurial process of setting up a new Acergy office in St. John's?”

We have found it necessary to use two different theoretical frameworks to answer this question: entrepreneurship and strategic alliances. The entrepreneurship part is used to define entrepreneurship, the intrapreneur, international entrepreneurship, the entrepreneurial process and what a new business is. We have also included a part on entrepreneurial networks and relationships. Theory on strategic alliances is starting with defining what an alliance is, before moving on to describing theory on generic motives and the four different archetypes of strategic alliances.

The gathering of data has been made using mainly three sources of data. We have been using Acergy's webpage to gather general information about the company, as well as to gather financial data and press releases. We have also used internal work documents presented to us when we visited Acergy Canada. However our main source of data has been semi-structured in-depth interviews with Simon Hume and other employees at Acergy Canada.

To help us answer our research question we have used the entrepreneurial process to structure our thesis, and the thesis therefore contains four main parts. The first part is the case description where we have given a general introduction to the Atlantic Canada oil and gas industry, followed by an introduction of Acergy, Pro-Dive and the Pro-Dive Acergy alliance. One of the key findings in the case description is the fact that the market place is dominated by a few organizations, both on the supplier and customer side. The case description also points to a growing oil and gas market in Newfoundland, Labrador and Nova Scotia. Acergy have shown growing revenue and profit during the last years, both in Northern Europe and Canada, and in the rest of the Acergy organization. The case description will give the reader a better understanding of the opportunity that Acergy followed when they decided to establish an office in St. John's.

The second part of our thesis is using theory on entrepreneurship to describe the entrepreneurial aspect of the thesis. We have compared the various entrepreneurial definitions with the set-up process in St. John's and concluded that the process can be seen as entrepreneurial. We have also included an introduction to the general set-up process where we have included some of the obstacles that Acergy have encountered during the process. In the end of the entrepreneurial chapter we have included a figure describing Acergy Canada's networks and relationships. We have here discussed some of the key relationships and concluded that Acergy Canada have 6 main relationships; Pro-Dive, interest organizations, customers, suppliers and Acergy (the rest of the organization).

Third part of our thesis is focusing on the strategic alliance with Pro-Dive. To help us with this part we have used theory developed by Lorange and Roos to determine the motives behind the alliance and what archetype this alliance belongs to. Using this information we have been able to define the Pro-Dive Acergy alliance as an Ad-hoc pool alliance. We have thereafter used theory on how to set-up an Ad-hoc pool alliance to see if the Pro-Dive Acergy alliance is functioning like theory predicts that it will.

After evaluating the industry, the entrepreneurial aspects and the Pro-Dive Acergy alliance we have concluded that there are several positive aspects of the way that Acergy have chosen to enter the Canadian market. And as Simon Hume, general manager of Acergy Canada put it: *"The office should be fully operational according to plan"*

We said in our research question that we were to find out if the Pro-Dive Acergy alliance has been a beneficial part of the entrepreneurial process. After studying the case for 4 months we have concluded that the alliance definitive have been beneficial for Acergy's entry into the Canadian market. We have also been able to prove that there is a clear connection between entrepreneurship and strategic alliances, and that this is a theoretical area that needs more research.

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1. Introduction

1.1 Background

This thesis tries to establish a connection between theory on international business and how things are done in an international organization. We focus on entrepreneurial aspects of setting up a new office in a foreign market and the entry strategy used by an organization. The case we have chosen to use is Acergy's entry into the Canadian oil and gas market. Acergy (2008b) is one of the leading organizations when it comes to seabed to surface engineering and construction in the offshore oil and gas industry, many will probably know them better as Stolt Offshore A/S as they just recently changed the name of the organization to Acergy in February 2006 (Acergy, 2005). The organization has offices in several places around the world, with headquarter located in London. There are a total of over 7000 employees in Acergy: These are divided approximately 50/50 between onshore and offshore workplaces, onshore workers working on administration and engineering, while the offshore employees are working on one of Acergy's many specially designed vessels.

Acergy have been involved in projects in Canada for many years, and has seen the opportunity in the Canadian market for a long time. The company has however been waiting for the right time to enter the market. In early 2007, the work with setting up an office in St. John's was started. During the summer and autumn of 2007 the first employees were hired. Today the office employs 21 workers, all of whom have an education in engineering. The main task for the people working at the office at the moment involves networking in the St. John's and Newfoundland area.

We first came in contact with Acergy through Tine Westerberg in the Norwegian Shipowners Association in late 2007. We were looking for a company that were about to enter a new market which we then could use in our thesis. Acergy's start-up in St. John's is basically what we were looking for, and we have come to an agreement with Acergy that we can use this start-up in our thesis. The first research questions that were discussed between us and Acergy involved looking at right and wrongs in the start-up process. Further discussions with Bodø Graduate School of Business and Acergy did however result in us developing a new research problem, which we will present in an own paragraph later in the introduction part of the thesis.

We are in this thesis looking at internationalisation as it happens; the establishment of the office in St. John's is an ongoing process and will not be finalized while we are doing our research. This was an important argument for us when we decided to use this particular case in our thesis. Even though we both have studied international business previously, we have never studied an ongoing process, which makes it very interesting to work with, mostly because we have the opportunity in real life to see what is done and which aspects are taken into consideration. Another argument that came as a natural result of us choosing this thesis is that we both have gained a lot of experience in the area of international business during our research. Everybody can read literature and create mental images from that, but not all can say that they have actually experienced internationalisation close up, as it happens, in a foreign market. We consider this experience valuable.

From a theoretical perspective we are looking to find the connection between theory and practice by using the newly established office in St. John's as a case study. Given our background in entrepreneurship and international business, we found it natural to include literature on these subjects when the thesis allowed it, which it does. We are also measuring our case against more than one area in the literature; entrepreneurship and strategic alliances. We feel, and have proven later in the thesis, that there is a natural connection between the literatures we have chosen.

We have searched through literature looking for a case covering the same area as we are working on without being able to find any good cases. What we feel is missing in literature on both entrepreneurship and strategic alliance is the connection between them. In entrepreneurship literature there are plenty of theories covering international business and different ways to internationalize, and some are even considering strategic alliances as one reason to internationalize. In the literature on strategic alliances there are also some explanations and examples where entries into new markets are seen as the reason behind the alliance. We have however been unable to find any case studies that are combining these two theoretical perspectives even though there is a clear linkage between them. What we will try to do in our study is to look on both entrepreneurship and strategic alliances in the same case to prove that there is a natural connection between them. This will give a contribution to existing theory on both entrepreneurship and strategic alliances, and it will show that in case studies covering international entrepreneurship using a strategic alliance it should be natural to include both theoretical aspects.

1.2 Research Problem

We have earlier argued why we write about Acergy, among the reasons mentioned earlier as to why, are that we find the process of setting up a new office in a foreign market very interesting, we have also managed to find a theoretical approach to the topic that we feel is somewhat unexplored. The intention of the thesis is to, by using existing theory, give a description of Acergy's entry into the Canadian oil and gas market. Thus the main research statement for this thesis being:

"An investigation and analysis of Acergy's start-up in St. John's"

The research problem can be divided into three separate parts. Investigate and analyze being the first. This will in our thesis involve looking at past and present processes conducted by Acergy, and comparing them to the theory we have implemented in the theory chapter of the thesis. The second part of the research problem is Acergy, which one in project terms refers to as the owner of the project. We choose to focus on a new start-up because we by doing so are able to see internationalization as it happens. A description of the start-up alone would be missing a central part, if we did not include a description of the basis organization in the thesis. Thirdly, we are investigating the start-up of Acergy in St. John's. This leads us to a more narrow research question and gives a good introduction to how we will approach the rest of our research:

"Have the Pro-Dive Acergy alliance been a beneficial part of the entrepreneurial process of setting up a new Acergy office in St. John's?"

This research question guides our analysis of the strategic alliance between Acergy and Pro-Dive. We use literature about the entrepreneurial process to structure our thesis. After reading this thesis the reader should be able to recognize and reflect on key issues we have included such as:

- The analysis is structured using the entrepreneurial process as a guide line, starting with the describing the opportunity, moving on to the entrepreneur and how the necessary resources are obtained, and in the end that the establishment of a new part of the Acergy organization has been created.

- We will combine theory on entrepreneurship and strategic alliances and test these theories towards the start-up in St. John's.
- The above points will also prove whether the strategic alliance between Acergy and Pro-Dive were positive or negative for Acergy.

When we are talking about Acergy we are talking about the organization Acergy S.A., former known as Stolt Offshore (Acergy, 2005). Acergy are a seabed-to-surface engineering and construction contractor for the offshore oil and gas industry worldwide. Their main focus is to plan, design and deliver complex and integrated projects in harsh and challenging environments (Acergy, 2006). We have chosen to focus our attention on Acergy's new office in St. John's, Canada. St. John's has been chosen by Acergy as the head quarter for their operations on the Atlantic side of Canada, operating under the Northern Europe and Canada (NEC) region of Acergy. The office is located in St. John's on the eastern coast of Newfoundland, and is currently under development. It is important to notice that Acergy is not totally new to the Canadian market, but they have decided to increase their activity in this part of the world and have therefore decided to be represented locally. When talking about the Canadian market through the rest of the assignment we are talking about the oil and gas market in which Acergy's St. John's office operates.

1.3 Positioning

This thesis is using Acergy, and mainly the new office located in St. John's as a superior study object. By using theory on entrepreneurship and strategic alliances we want to study how large multinational organizations expand their businesses into new markets, what considerations they make and what obstacles they face when deciding to expand. We try to show how current theories on international business are being applied into "real life" by Acergy. Our results cannot be directly transferred into other situations, but it will indicate how well some of the theories surrounding international business correspond with reality, here represented by Acergy. The main reason for writing about this subject in the first place, is that we have the opportunity to experience internationalization as it happened. In this setting we find it interesting to look at entrepreneurial aspects of setting up a new business in a foreign market, focusing especially on the entrepreneurial process. The reason for choosing this focus is that we have found a lot of interesting literature on entrepreneurship in regards to internationalization. We have however not been able to find any literature that deals with internationalization in lights of the entrepreneurial process. We therefore think it will be

interesting to explore what impact the driving forces of the entrepreneurial process has on Acergy's setup in Canada.

1.4 Structure of the thesis

We have chosen to construct our thesis in the following way. The thesis comprises six main chapters, which are outlined below:

Chapter one is dedicated to presentation of the background for the thesis and to the introduction of our research problem. Here we distinguish the scope and reveal the purpose of the study. We also determine which direction we intended to take in regards to theoretical review and methodology.

In the next chapter we have reviewed already developed literature that we have chosen to include in our thesis. We are focusing on entrepreneurship and strategic alliances. In the end of this chapter we have included a conceptual framework which shows how the used literature is connected in our case.

In chapter three we present the methodology of the conducted research. It describes how research is designed and managed, including sources of data, data collection methods, what research design we are using and so on.

Chapter four gives a description of the case we are studying. Main focus is the established office in St. John's, but we have also included parts describing the Acergy organization and the industry in which the newly established office is intended to operate.

In Chapter five we present our findings from our research. By comparing earlier reviewed literature with research data, we here answer our research question and present the result of the analysis.

Chapter six summarizes the research findings. Strengths, weaknesses, implications and some limitations of the research are presented. Proposals for further research are also included.

2. Literature review

Literature review is a central part of our thesis, as the theories we have implemented in this chapter will be used when analyzing data later in the thesis. Because of the diversity in the literature involving international business, we have to make choices surrounding what to include and what to leave out. That being said, we now feel that we have included literature essential to the thesis. The literature review helps us in answering our research problem, because we have the opportunity to compare our findings with already developed theories.

We divide the chapter into three main parts; entrepreneurship, strategic alliances and conceptual framework. The conceptual framework shows how the used theories are connected in regards to the chosen case. It also shows how the implemented literature helps us in regards to structuring of the thesis. As we are looking at the whole process of setting up a new business in a foreign market, we feel that the natural approach is first to look at the entrepreneurial aspects such as opportunities, what resources are needed, and the organization. We then move over to business relationships and networks. The reason for this is that we feel that relationships and networks play an essential part in today's internationalization of firms. Finally, we review the entry strategy chosen by Acergy, in this case strategic alliances.

2.1 Entrepreneurship

We have chosen to divide entrepreneurship into four different parts. The first part is a general description of entrepreneurship, second part is the entrepreneurial process, the third part is about international entrepreneurship and the fourth part is network and relationship theory.

Early definitions of entrepreneurship are focusing mainly on the entrepreneur (ex: Richard Cantillon in 1730; "*Entrepreneurship is defined as self-employment of any sort*" (Women Entrepreneurs in Science and Technology, 2007)), Penrose in 1963 came up with a definition closer to what we are looking for in this setting; "*Entrepreneurial activity involves identifying opportunities within the economic system*" (Women Entrepreneurs in Science and Technology, 2007). We should also mention Gartner who in 1988 came up with the following definition of entrepreneurship: "*The creation of new organizations*" (Women Entrepreneurs in Science and Technology, 2007). However none of these definitions fits well to what we are looking for in this study. Perhaps what we need to be looking for is more of an intrapreneur. Pinchot (1985) looks on an intrapreneur as a person working within a large corporation that

takes responsibility for turning an idea into a profitable product through risk taking and innovation.

As Sathe (2003) points out most new successful enterprises are developing from an already existing organization. He thinks the two “heroes”, the entrepreneur and the lonely intrapreneur, are one of 80’s and 90’s big fairytales and does not reflect the way most new successful businesses are started. Of course there are successful entrepreneurs; like Steve Jobs (Apple Computers), Richard Branson (Virgin Records, Virgin Atlantic etc.) and Vidar Vollevik (Chess Communication), but these are among the exceptions. Sathe looks more to companies like 3M and Xerox to find corporate entrepreneurship, which he defines as; “*New business creation in a corporate division*” (Sathe, 2003, p39) A new business according to Sathe is:

<i>New market</i>	New Business		
<i>Market extension</i>	Existing Business		
<i>Existing market</i>			
	<i>Existing product</i>	<i>Product extension</i>	<i>New product</i>

Figure 1: What is a new business? (Sathe, 2003, p6)

According to the figure above a new business for an existing company would involve a new product or a new market. Anything that can be defined as a new business would include corporate entrepreneurship. On the other hand if we are looking at an existing product or a product extension in an existing market or in a market extension the corporate entrepreneurship would not be needed. Reynolds et al. (1999, p.6) looks at entrepreneurship as an attempt to establish something new: “*Any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business.*”

2.1.1 The entrepreneurial process

Timmons and Spinelli (2007) look at the entrepreneurial process as highly dynamic with a number of driving forces. There are controllable components of the process that can be assessed, influenced and altered. These are again carefully focused on by investors and

founders when determining risk surrounding the venture and what changes that can be made to improve the venture's chances for success. Forces in the entrepreneurial process:

- It is opportunity driven.
- It is driven by a lead entrepreneur and an entrepreneurial team. It is resource parsimonious and creative.
- It depends on the fit and balance among these.
- It is integrated and holistic.
- It is sustainable.

The forces underlying a successful new venture creation are illustrated in a model presented by Wickham (2004) below.

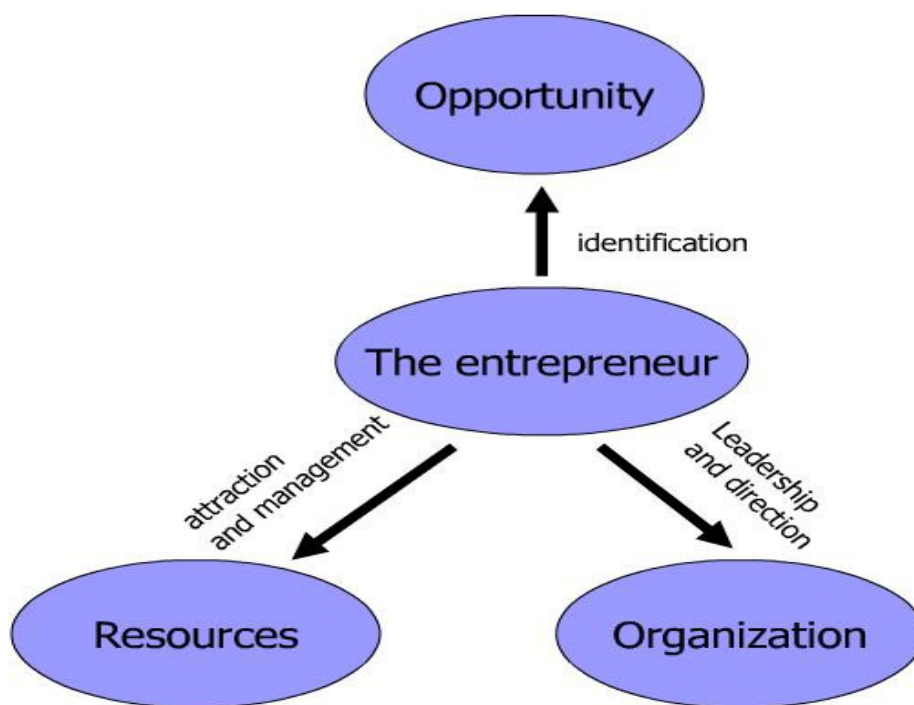


Figure 2: The entrepreneurial process (Wickham 2004, p.134)

The process starts with the opportunity, not money, strategy, networks, team, or business plan (Timmons and Spinelli, 2007). An opportunity in this relation may in most cases be determined as something unreachable for the entrepreneur. Reasons for this are that most genuine opportunities are much bigger than either the talent or capacity of the team or the

initial resources available to the team. The opportunity is considered to be the heart of the entrepreneurial process. Successful investors therefore know that a good idea is not necessarily a good opportunity, for every 100 ideas presented to investors usually fewer than four get founded. A good entrepreneurial skill is to quickly be able to determine whether serious potential exists, and decide how much time and effort to invest. We build our understanding of opportunity by first focusing on market readiness:

1. Market demand is a key ingredient to measuring an opportunity.
2. Market structure and size help define an opportunity.
3. Margin analysis helps differentiate an opportunity from an idea.

Once the emerging patterns above are identified, the entrepreneur develops a service or product concept, and, finally, the service or product delivery system is conceived. It is important to remember that we earlier have defined that the entrepreneur also can be an intrapreneur working within an already existing organization.

After identifying the opportunity the entrepreneur moves over to attracting and managing resources (Wickham, 2004). One of the most common misconceptions among untried entrepreneurs is that they first need to have all the resources in place, especially the financing part. Thinking about money first is by Timmons and Spinelli (2007) considered being a big mistake. The reason for this is that money follows potential opportunities conceived of and led by a strong management team. Investors have bemoaned for years that there is too much money chasing too few opportunities. Having too many resources available too early in the entrepreneurial process has been argued as being one of the worst things that can happen to an entrepreneur. Other resources available to the entrepreneur may be; assets, people, business plans, relationships and potential unleashed creativity.

One of the biggest challenges for the entrepreneur will be building a great team. A famous investor, Arthur Rock, put it this way: *“If you can find good people, they can always change the product. Nearly every mistake I’ve made has been I picked the wrong people, not the wrong idea”* (Timmons and Spinelli, 2007 p: 91).

An entrepreneurial leader should according to Timmons and Spinelli possess the following characteristics:

- Learns and teaches – faster, better.
- Deals with adversity, is resilient.
- Exhibits integrity, dependability and honesty.
- Builds entrepreneurial culture and organization.

Characteristics and quality of the team:

- Relevant experience and track record.
- Motivation to excel.
- Commitment, determination and persistence.
- Tolerance of risk, ambiguity and uncertainty.
- Creativity.
- Team locus of control.
- Adaptability.
- Opportunity obsession.
- Leadership and courage.
- Communication.

Wickham (2004) argue that in order to supply the innovation to the market, the activities of a number of different people must be coordinated. This is the function of the organization part in the model. He further argue that an organization can take on a variety of forms depending on a number of factors such as; size of the organization, rate of growth, industry they operate in, product or service they deliver, the culture that it adopts, and finally age. Entrepreneurial organizations are characterized by strong, and often charismatic, leadership from the entrepreneur. Current thinking on entrepreneurial organizations tends not to draw a hard and fast distinction between those inside the organization and those who are on the outside. It has been found more productive to think in terms of the organization in a wider sense as being a network of relationships between individuals with the entrepreneur sitting in the centre. This network stretches beyond just the individuals who make up the formal company to include people and organizations outside the venture such as customers, suppliers and investors.

Rounding out the model of driving forces in the entrepreneurial process is the concept of fit and balance between and among these forces. Note that the entrepreneur and his team are located in the middle of the process, surrounded by the driving forces. The process involves a constant balancing act, since the opportunity, resources and organization rarely match in the beginning. Questions the entrepreneur may ask is among others: What pitfall will I encounter to get to the next boundary of success? Will my current team be large enough? Are my resources sufficient? As earlier mentioned, examples of failure can occur when large multinational companies throw too many resources at a weak, poorly defined opportunity.

Another aspect not mentioned yet, is the importance of timing in the entrepreneurial process. Decisiveness in recognizing and seizing the opportunity can make all the difference. Timmons and Spinelli argue that one should not wait for the perfect time to take advantage of an opportunity, such does not exist. Most new businesses run out of money before they can find enough customers and the right team for their idea. Opportunity is regarded as a moving target.

Stevenson and Gumpert (1985) points out five questions important for the entrepreneur in the entrepreneurial process. In one way or another, all of these questions have been considered and answered in this thesis:

1. Where is the opportunity?
2. How do I capitalize on it?
3. What resources do I need?
4. How do I gain control over them?
5. What structure is best?

2.1.2 International entrepreneurship

Dana (2004) looks at internationalization as a key concept in the identification of the opportunity from the entrepreneurial process, and uses the following definition of international entrepreneurship; *“the combination of innovative, proactive and risk seeking behavior that crosses national borders and is intended to create value in organizations”* (McDougall & Oviatt, 2000, p. 903).

According to Dana (2004) there are ten factors that can make an independent organization internationalize:

- The firm growth process: The organization need to go international to achieve its goals of continues growth.
- Organizational learning and acquisition of knowledge: The organization needs to go international to be able to access the knowledge needed, or to learn from organizations not represented in their home country.
- Networks and organizational linkage: The organization goes international either because of a new linkage to an international organization or because of a linkage to another organization that goes international.
- Resource availability: The organization goes international to be able to access resources needed; these resources can be raw-material, labor, production facilities etc.
- Product life cycle: According to the product life cycle theory every product goes true 4 stages (Introduction, growth, maturity and decline), by adding a new market when a product is in maturity or decline the life cycle can be extended and the product will therefore generate more profit to the organization.
- Market imperfection and competitive advantage with free trade and this opens an opportunity for organizations outside the original market. An organization with a competitive advantage that is possible to transfer to new markets can use its competitive advantage to enter new markets.
- Locational advantage: The organization goes international to move closer to either its resources or markets.
- Expansion of the firm's horizon: The organization internationalizes to get new inputs.
- Investment level: The organization makes international investments, either in own production/sales, portfolio investments or other tangible assets.
- Transaction costs: The organization goes international to reduce its transaction costs.

Zahra and George (Hitt et al. 2002, p255-288) separate international entrepreneurship into two different categories; born global organizations and existing organizations that internationalize. A born global organization is an organization that goes international (not only to similar markets like Norwegian companies going to Sweden) after no, or a very short, period in the domestic market. It is especially the earlier need for more finance, global market

know-how, global management skill and R&D know-how that separates the born global process from a more slow internationalization. The development have shifted over time from being mainly existing organizations going international to being more and more born global organizations.

Welch and Welch (2004) argue that there has been somewhat inevitable, growing interest in internationalization in the field of international entrepreneurship. Many of the steps undertaken by the companies and individuals in achieving international growth require them to embark on new activities, often in foreign environments. Among factors external to the firm are the facts that inter-firm networks have come to be considered an important part of the change process in internationalization. Gaining access to foreign market networks is seen as a key factor when penetrating into a foreign market. This is also a source of much valued on-the-ground knowledge about foreign markets.

2.1.3 Business relationships and Networks

Several researchers argue that networks play an important role in the early internationalization process of businesses. The idea is that earlier models of internationalization do not capture some important phenomena in the modern international business world. By focusing on business network relationships we can see how firms are learning in their relationships. This again enables them to enter new country markets, in which they can develop new relationships which give them the platform for entering other country markets (Johanson & Vahlne, 2003).

From a network perspective one can assume that firms are engaged in a set of close business relationships with important customers, suppliers, and other business partners, and that business markets are structured as networks of interconnected business relationships. A business network can be defined as: *“Sets of interconnected business relationships, in which each exchange relation is between business firms conceptualized as collective actors”* (Anderson et al., 1994, p.3).

This definition is based on Cook and Emerson’s (1978) definition of exchange networks and on empirical studies of business markets. The research, conducted by Håkansson (1982) and Ford (2002), demonstrated that close, lasting relationships between firms doing business with each other are considered as critically important by the firms. It takes time and resources to

build relationships. All firms are according to this research, engaged in a limited set of business relationships with important customer and supplier firms, which again, have relationships with other firms. All of these connections represent an unbounded business network (Johanson & Vahlne, 2003).

The business network perspective focuses on managerial problems associated with the establishment and development of relationships with suppliers and customers. In this perspective all relevant business information is channeled through network relationships and each relationship is unique due to the characteristics of the relationship partners and the history between them. Internationalization in this network world, is nothing but a general expansion of the business, which, in turn, in no way is affected by country borders. All barriers are associated with relationship establishment and development (Johanson & Vahlne, 2003).

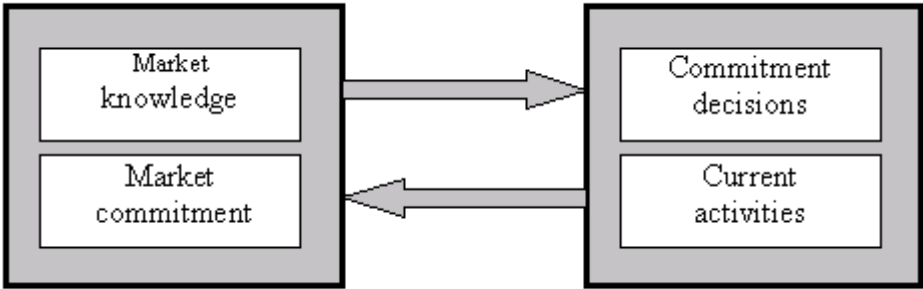


Figure 3: Uppsala Model of Internationalization (Johanson & Vahlne, 1977, p.26).

Johanson and Vahlne (2003) points to basic features of an internationalization process of a firm. The underlying assumption of the literature, regarding international business is that foreign country markets are distinct entities in which operations are performed or not. Another assumption is that country markets require specific modes of operations or forms of organization. This is mainly the reason why international business literature discusses entry strategies and governance modes in different country markets. A model, illustrated above, that conceptualizes these issues is the U-model. Internationalization, according to the U-model, is a process driven by interplay between learning about the international operations and commitments to international business. Knowledge is a key issue here, lack of knowledge about foreign markets and operations is seen as the main obstacle to internationalization. Knowledge can be developed through experience from operations in those markets. This brings us over to another key issue in the model, the one regarding experience. Foreign

business opportunities and problems are discovered through experiences, it also gives the firm an ability to see and evaluate business opportunities. This may prevent and reduce uncertainty associated with commitments to foreign markets.

Only by doing business in a specific country is it possible for a firm to learn how customers, intermediaries, competitors and public authorities act and react in different situations. The subtle understanding of the market can never be replaced by general information and surveys. This means that it takes time to develop foreign business skills and the knowledge is associated with the specific situations and contexts in which they are developed (Johanson and Vahlne, 2003). One can distinguish between market specific experience and operation experience; the former concerns are related to conditions in the specific market and cannot without great difficulties be transferred to other markets, while the latter refers to ways of organizing and developing international business operations and can more easily be transferred from market to market. More, generally, operation experience can be seen as internationalization experience, that is, experience about the use of different modes of operations in the international development of the firm (Eriksson et al., 1997).

According to Hallen and Wiedersheim (1979) the internationalization of a firm is critically dependent on the development of relationships with key customers and a variety of market intermediaries. As inter-firm relationships across borders strengthen, firms tend to increase information flows and build trust and mutual understanding that reduces the inter-country psychic distance (Welch and Welch, 2004). Johanson and Mattsson (1988) argues that a commonly used approach in relationship development is for firms to springboard from existing domestic or foreign relationships in order to facilitate foreign market entry, for example by taking advantage of the connection with customers, suppliers or intermediaries that have already internationalized. Blankenburg (1995) argues that a firm's international expansion is affected by the degree of structuring of the foreign network it seeks to enter. As a result, resource commitment to foreign markets therefore frequently takes the form of investing in relationships with key foreign firms; learning in this process consists of, and occurs through, accumulating knowledge about these firms and networks.

Relationships develop gradually when the firms learn from interaction with each other and commit themselves stronger to the relationship. During this process the relationship partners gradually learn about each other's needs, resources, strategies, and business context. This is a

time and resource demanding process, which requires that both partners become committed to the relationship meaning that they share a mutual concern for each other. As a consequence the relationship partners as well as the wider business network partners have to take each other's interests into consideration when acting (Johanson and Vahlne, 2003).

Commitments are made to specific business firms whether they are customer firms, supplier firms, intermediary firms, or other cooperating firms. They will also primarily concern gradual development of the relationships in which the firm is already engaged. In a similar way the business firms will develop close interdependencies in relation to the important partners and they will consequently be prepared to defend those relationships by increasing the commitments to the firms in which they already do business with. They will also tend to develop other relationships, which can be expected to support the important relationships. Thus they will be engaged in building business network structures surrounding and supporting strategic relationships (Chen and Chen, 1998).

2.2 Strategic alliances

Strategic alliances are collaborative organisational arrangements that use resources and/or governance structures from more than one existing organisation. Strategic alliances have three important characteristics (Rugman & Brewer, 2001):

1. The firms partnering remain independent subsequent to the formation of the alliance.
2. Alliances possess the feature of ongoing mutual interdependence, in which one party is vulnerable to the other.
3. Uncertainty surrounding what can be expected of the other partners.

According to Lorange and Roos (1992) the most important characteristic for a strategic alliance is the willingness to invest in the relationship. This willingness to invest in the alliance can be found using the "Generic motives for strategic alliances".

2.2.1 Generic motives for strategic alliances

Using this approach we are first looking at the strategic position of the two (or more) partners in an alliance using two different dimensions; strategic importance and business market position (Lorange & Roos, 1992). The strategic importance is trying to establish whether the

business conducted in the alliance is the core business or more peripheral to each of the partners in the alliance. From these two dimensions we get four generic motives for forming a strategic alliance;

		<i>Business market position</i>	
		<i>Leader</i>	<i>Follower</i>
<i>Strategic importance in parent's portfolio</i>	<i>Core</i>	Defend	Catch up
	<i>Prepheral</i>	Remain	Restructure

Figure 4: Generic motives for strategic alliances (Lorange & Roos, 1992, p7)

For a company that is a leader in the market and is forming an alliance regarding its core business, the typical motive behind the alliance would be to defend its current position. There are three reasons why a company in the Defender position would like to enter an alliance; access to markets, access to technology, and to secure its resources. It is typically for the defender to enter an alliance with a smaller entrepreneurial firm. For the organizations falling into the Catch-up category we are still talking about doing business inside their core business area, but this time it is an organization that is not a market leader. It is often critical for these organizations to strengthen their positions in the market and a strategic alliance might be the best (or only) way to do this in order to avoid having to sell their business.

If the business is of a more peripheral role in the overall portfolio of the organization, but the organization is still the leader, the main reason for entering a strategic alliance is to remain in that business segment. Forming a strategic alliance might be the best way for the organization to exploit its leadership and thereby remain represented in that business segment. Local procurement legislations might be another reason why an organization might have to enter a strategic alliance, and to accept this (instead of trying to avoid the legislation) is more common if the business segment is not part of the organizations core business.

If the business plays a peripheral role in the organization and the organization is only a follower in that segment, then the main strategy would be to restructure the business. Many times the idea behind the restructure is so that the parent organization can unload the business. One way to unload the business is to enter a strategic alliance with another organization. This alliance is made so that the business plays a smaller role in the organization and

organizational resources can be used elsewhere. The four different generic motives for forming a strategic alliance can now be used to identify four archetypes of strategic alliances.

2.2.2 The four archetypes of strategic alliances

Regardless of the reason behind choosing to enter a strategic alliance there is always the question of how resources are to be handled between the partners and the alliance. The input of resources can vary from only organizational resources (support staff, technology, funds etc.) to fully strategic resources (organizational resources and independent management capable of making strategic decisions). If only organizational resources are put into the alliance, the alliance will not have any contingencies to react to unexpected strategically changes and it will only be suitable for short term operations. On the other hand if the alliance gets sufficient strategic resources it will be able to adapt to changes in the environment and the alliance will have a better foundation for long term operations. What type of resources needed depends on the situation that the alliance is meant to handle.

Since a strategic alliance is meant to create value there is also a potential for resources to flow back to the parent organizations. Here we also have two different ways of retrieving resources; from one end to retrieve all of the output generated by the strategic alliance. Output here might be financial profit, end products, technological know-how, human resources and so on. On the other hand output generated in the strategic alliance might be contained within the alliance. Using these two dimensions we arrive at the four archetypes of strategic alliances.

		<i>Parents input of resources</i>	
		<i>Sufficient for short term operations</i>	<i>Sufficient for long term operations</i>
<i>Parents retrieval of output</i>	<i>To parents</i>	Ad hoc pool	Consortium
	<i>Retain</i>	Project based joint venture	Full-blown joint venture

Figure 5: Archetypes of strategic alliances (Lorange & Roos, 1992, p11)

The Ad hoc alliance is used when a minimum of resources is required, and all of the resources will be sourced back to the parent organization once the alliance has been terminated. An

example of an ad hoc alliance is short term charter contracts. If the resources are to be sourced back to the parents, but the initial input of resources is sufficient for long term operations, the alliance is called a Consortium. This type of alliance is often when two or more organizations go together in a research and development project. Each organization put in its best available resources and retracts all outputs when the goals of the alliance have been achieved.

If the output of the alliance is retained in the alliance (with the exception of dividends, royalties and so on) we emerge with two different joint ventures. The first is the project based joint venture, here only a minimum of strategic resources are being put into the alliance. This type of joint venture might be used as a way of speeding up an entry into a new market. The last archetype is that of the full-blown joint venture. Here the parent organization put in enough resources so that the joint venture can become a new business operating with its own strategic foundation.

2.2.3 Forming a strategic alliance

When forming a strategic alliance it is important that all involved parts have the intention of making the alliance work. It is however not necessary to have the same strategic motives as long as they can agree on a common strategy and type for the alliance. Lorange and Roos (1992) claims that a successful alliance build on the work done before entering into the alliance and that this is the foundation for the trust and behavioural consonance that is to form the alliance. From this they suggest a three phase formation process:

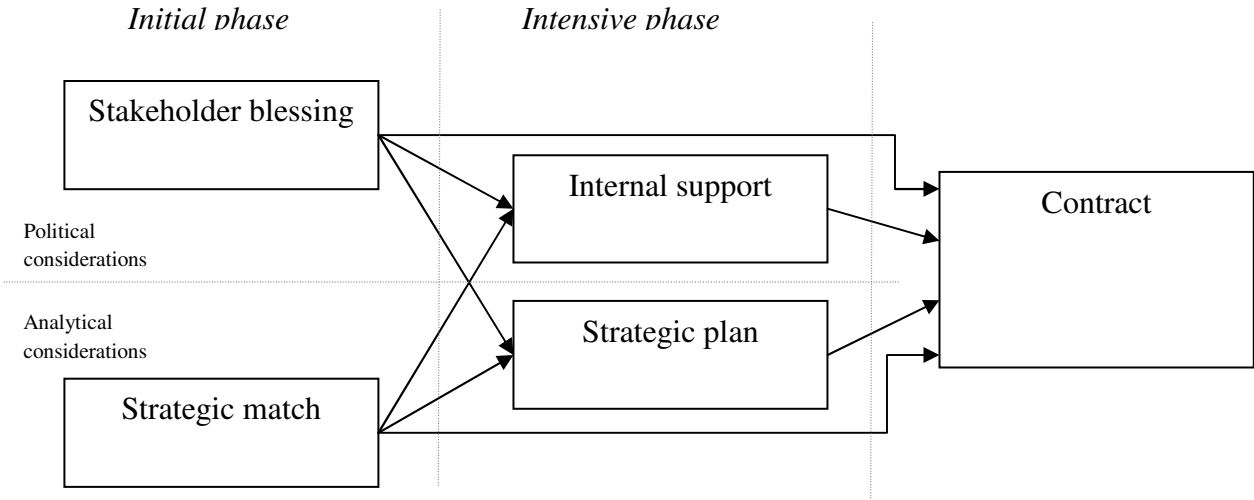


Figure 6: The formation process model (Lorange & Roos, 1992, p29)

The strategic match of the partners is referring mainly to the generic motives and input/output strategies discussed earlier. What the partners should try to answer here is questions like:

- What are the benefits from the alliance? Not only for your own business, but also for the partner.
- How can we complement each other in such a way that both will benefit from the alliance?
- Are there differences in what the company sees as its core product, and will this influence the alliance in any way?

These questions should give answers to, if the alliance will be an obvious win-win situation. If not everyone involved sees the win-win situation problems might occur in the future. When the alliance has been established all partners should regularly check to see if it still is a win-win situation.

All partners' in the future strategic alliance will have to make sure that important stakeholders give their blessing to the alliance. It is important to check with all stakeholders, and not only shareholders, that you will get the cooperation needed to make the alliance work. You would normally start out with checking with internal stakeholders like shareholders, management and employees. Important questions here are for example; how will the different stakeholders behave and how shall internal coalitions be handled successfully? External stakeholders also have to be confronted to find out if you will have trouble with unions, local communities, customers, suppliers, government organizations, partners in other alliances or other interest groups. Together with finding the strategic match, checking with important stakeholders for their blessing will complete the initial phase and the future alliance is moving into the intensive phase.

When starting the intensive phase the partners first need to start analyzing the situation. They need to come up with a business plan that contains the foundation in which the alliance is built on, this should include a SWOT analysis and it should show how the alliance will be a win-win situation for both parties. This business plan should also point out where the alliance is to cooperate. Common cooperation areas for an alliance are:

- Research and development; leading to an economic of scale effect.
- Sales and distribution; giving the alliance a larger impact in the market place and/or being able to fore fill customer needs better.
- Using the strength of each individual firm to form a completely new and stronger value chain.

Depending on what area the alliance is handling, there are four main areas were the alliance can strengthen the partners (and therefore the alliances) competitive strength:

- Bargaining power towards suppliers.
- Better fulfilment of customer needs.
- New technology through combined research and development.
- The size of the alliance working as an entry barrier, end thereby making it more difficult for others to create new competitors to the alliance.

Internal support is the other half of the intensive phase. Although the alliance already have the blessing of all major stakeholders from the initial phase, the idea of the strategic alliance still has to be “sold” to every key player in the organisation. Job security issues have to be solved so that the alliance is not seen as a threat to managers and other employees. There will however always be a balance between informing internal about the alliance and keeping it a secret. Sometimes it will be more important to keep the alliance a secret to everyone not directly involved to avoid leaks to competitors or to avoid inside trading of stocks. When all issues in the initial and intensive phase have been solved, the alliance is ready to officially be formed and put into work.

2.2.4 Formation of the strategic alliance in the four archetypes

In the ad-hoc pool alliance there are often two different generic motives behind the alliance. This may make it difficult to find the strategic match necessary to form an alliance (Lorange and Roos, 1992). Stakeholder blessing will in most cases not be a problem in the larger of the two firms, but the smaller, more entrepreneurial firm, might find it hard to convince the stakeholders to enter the alliance. This might often be grounded in fear of being “swallowed” by the larger organization. Creating the strategic plan will often be a discussion on how to make the resources of the two organizations work together. Work routines are often very

different between the larger and the smaller organization so a synergy based on technology or market handling is often not an option, meaning that the alliance have to be built on other resources (like human resources, capital etc.). Internal support in the ad-hoc alliance might be difficult to maintain because of the large differences between the two organizations. For this reason communication and trust in the ad-hoc pool alliance should be based on face-to-face commitment instead of legal contracts. In the end, the output of the ad-hoc alliance will often be a physical goal (new technology, new product or a new market), and not a revenue or profit goal.

In the consortium alliance it is more common than in the other four archetypes that there are more than two firms involved. There will often be organizations that are not large enough to complete research and development projects on their own and therefore seek the help of other organizations. A strategic match can easily be found since this type of alliance often is built between more or less equal partners. The fact that the partners are equal (and often to some extent competitors) means that getting stakeholders blessing is more about making sure that everyone is working towards a win-win situation. It is also important that none of the partners look at the alliance as an opportunity to outrace its partners, this work will continue when moving from stakeholders blessing to internal support. When creating the strategic plan for the consortium alliance the partners have to make sure that the work is not done more complicated than necessary, and that the resources of each partner is fully utilized. This will make the strategic plan very detailed, but it will also make the alliance capable of creating a superior value chain at an acceptable cost level. The final goal of the consortium will often be physical goals like in the ad-hoc alliance, and the cost/resource utilization will be an important measurement to see if the alliance is a success.

In the project based joint venture we often find organizations where the generic motive is to remain in the business area that the alliance is handling. This type of alliances can also be used to access markets that otherwise would have been difficult to enter, where one partner provide market access and the other partner provides the technology. The strategic match will be focusing on establishing the fact that the two organizations do not compete using the same strategy. The two partners is often leaders in two different ways (technology vs. market) and they should therefore build on this instead of creating a win-lose situation. For the stakeholders the key issue here would be if they are willing to expose their own strengths in order to remove their weaknesses and thereby build a strong alliance. When stakeholders

blessing has been achieved the internal support in the different organizations is focusing on practical details. The reasons for this are that practical details have to be resolved before internal support can be handled and work security issues can be solved. The strategic plan will in a project based alliance have much in common with a business plan for a new organisation, and it will describe how the organization it to built on the strengths of both partners to become a force in the local market. The output of the alliance will be measured in revenue and profit terms, but since the alliance has insufficient strategic resources the alliance will be abandoned as soon as the market conditions change.

The strategic match for the last archetype of alliances; the full-blown joint venture, is often focusing on the need to catch up for both organization involved. The willingness to invest all resources needed by the joint venture is often a result of both organizations realizing that they will not be able to dominate the market alone, without using all its resources in order to make the alliance work. This is also the key factor in getting the stakeholders blessing, they have to realize the situation the organizations is in and that a full-blown joint venture is the best way of getting out of that situation. When developing the business plan the alliance is looking at what resources are available between the two organizations, and how these resources best can be used to create value for the alliance. If this work is not done correct, the alliance will fail. Just combining the forces of two weak organizations will not create one strong organization. Internal support can be hard to get for this type of alliance since the two organizations are merging, and lay-offs and restructuring is unavoidable. This makes it even more important that the management in both organizations are really convinced that this is the way to go, if not conflicts and failure will be the result.

2.3 Conceptual framework

Our thesis can be summarized using the entrepreneurial process as a conceptual framework. The entrepreneurial process (Wickham, 2004) can be used to summarize all the data in this thesis. If we look at the entrepreneurial process we can see that it contains four main parts; the entrepreneur, the opportunity, the resources and the organization. The linkage between these four parts is what makes the entrepreneurial process fit our thesis so well. The linkage between the entrepreneur and the opportunity is in our case defined in the market and environmental reviews were we look at the opportunity that Acergy have chosen to follow when they established a new office in St. John's. The linkage between the entrepreneur and the organization is describing how the entrepreneur is leading and directing the organization,

while the linkage between the entrepreneur and the resources are focusing more on attraction and management of resources. In our case there are three main resources that needs to be attracted; qualified engineers, market knowledge and organizational resources. In addition to these resources Simon Hume needs to manage the resources available to him through the Acergy organization.

In our thesis there is a fourth linkage that is not a part of Wickham’s original entrepreneurial process:

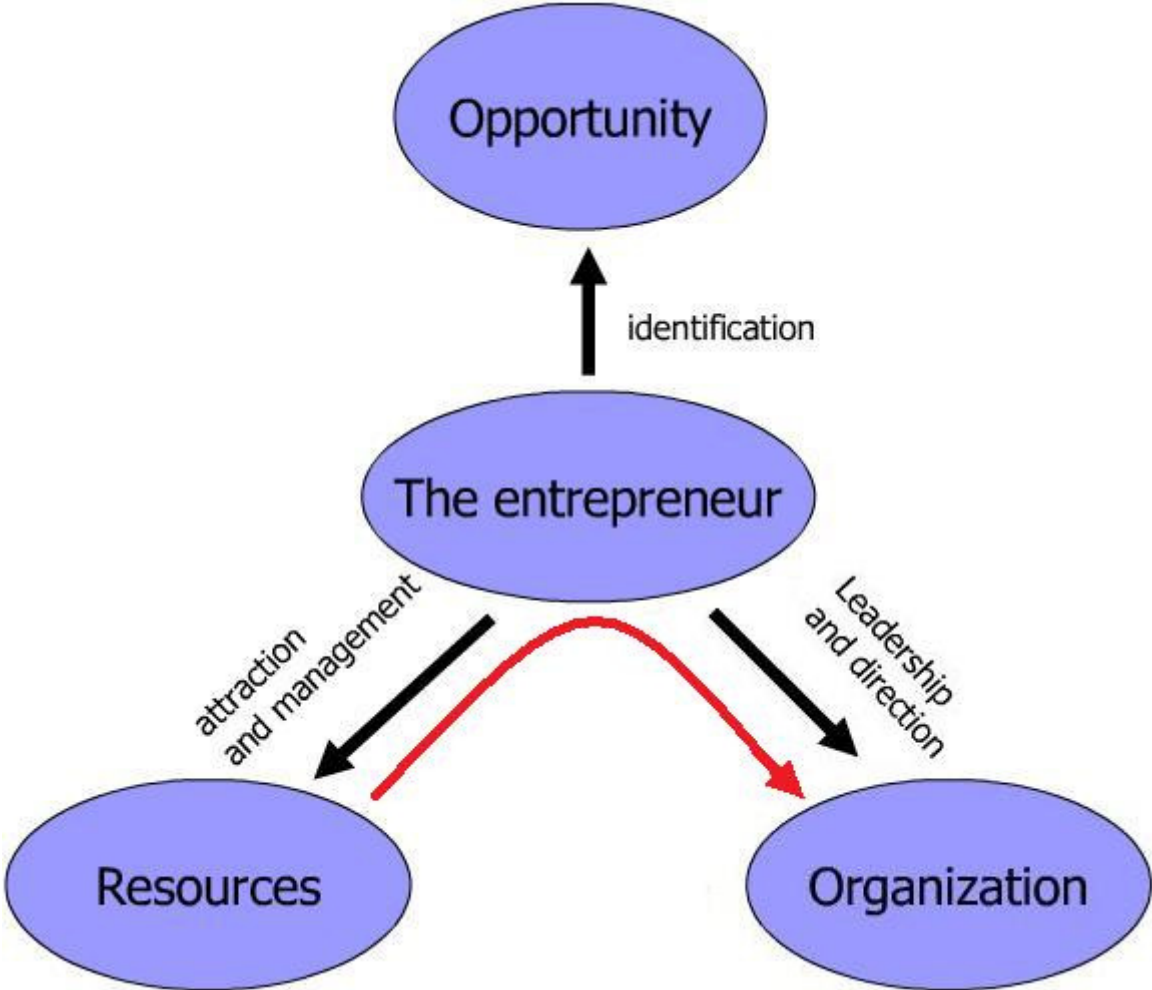


Figure 7: Conceptual framework (adapted from Wickham 2004)

This fourth linkage (in red) shows the connection between the resources and the organization and this is what our research question is focusing on. We want to know if the Pro-Dive Acergy alliance been a beneficial part of the entrepreneurial process of setting up a new

Acergy office in St. John's. The Pro-Dive Acergy alliance is a key resource when building up the new part of the organization and how this resource is handled is important for the success of the office. The linkage between the resources and the new organization is however not a direct linkage; the entrepreneur is still an important part of the linkage. The resources might be exactly what are needed to build the organization, but if the entrepreneur cannot utilize the resources it will not help him build the organization. Our research question can therefore be said to contain three important and interdependent parts;

1. The Pro-Dive Acergy alliance is the key resource that we have chosen to focus our research question on.
2. The entrepreneurial process is the entire process of setting up the office and the key focus point here is the entrepreneur and entrepreneurship.
3. Will the entrepreneur's usage of the alliance have a positive effect on the establishment of the new office?

The first two statements above were assumed to be true when we decided on our research question, while the third were unknown to us. We have therefore started our analysing chapter with proving that the first two statements are true, before concluding in the end if the alliance has had a positive effect or not.

3. Methodology

Our research problem involves investigating and analyzing of the Acergy start-up in Canada. Here we review methodological aspects of the report such as qualitative designs, methods for the gathering of data and in turn how to analyze these data. We will also outline which design and methods we have used in our research process.

3.1 Research designs

When selecting which research design to use, there are two main directions to choose from; quantitative and qualitative design. Quantitative research designs are focusing on finding the extension of a phenomenon (Johannessen et al., 2004). Quantitative designs often include questioners or experiments, and are used when the data gathered are used to generalize from a sample group to a larger population. Criticism of quantitative designs says that it is not going deep enough into a phenomenon to understand why the phenomenon is happening.

When deciding what research design to use, we found it necessary to review what kind of information we needed in order to answer our research problem, and in turn, also our research question. Our research problem states that we are going to analyze Acergy's start-up in St. John's. To do so, we firstly needed to gather general information surrounding our study. We have chosen to dedicate a whole chapter in the thesis to describe what we are studying. The reason for this is that we when we decided what information to gather came to realize that there are many aspects to Acergy's expansion into Canada, not only the establishment of the St. John's office. Even though the office is our primary study object, the study also includes certain knowledge in regards to the industry; different conditions in Canada and of course information about the basis organization, Acergy. From a literature perspective, we have chosen to focus on the entrepreneurial aspects of setting up a new office in a foreign market and strategic alliances. The reason for implementing literature regarding strategic alliances is that this is the entry strategy used by Acergy in St. John's. This led us over to our research question, which involves determining the influence of the alliance.

From an entrepreneurial perspective, we wanted to present an overall discussion of the entrepreneurial influence on the establishment in St. John's. As explained in the conceptual framework in the literature chapter, we have given the entrepreneurial process and the importance of relationships and networks extra focus. The information needed, when it came to entrepreneurship, had to be based in the implemented literature. In order for us to answer

our research problem we had to include entrepreneurial aspects such as a determination of opportunities, what resources were required and also how the organization was built up.

The motives for implementing theory regarding strategic alliances was that we wanted to determine if the alliance is seen as important for the expansion, if people involved in the process share the same view in regards to the alliance, and finally if Acergy would have been able to establish themselves in St. John's without the alliance.

Given the information we needed in order to write our thesis, the use of a qualitative design seemed like the favorably approach. The outcomes of qualitative designs are often theory development, description or operationalization, and are not meant to be directly generalized from the sample to a larger population (Morse, 1994). By choosing a qualitative design, we felt sure that we would be able to gather the information we needed in order to investigate analyze the start-up process in St. John's.

Rossmann & Rallis (1998, reproduced in Marshall & Rosmann, 1999, p. 2-3) points out eight characteristics of qualitative research (1-4) and researchers (5-8):

1. Is naturalistic.
2. Uses methods that respect the humanity of the objects in the study.
3. Is emergent and evolving.
4. Is interpretive.
5. Look on social worlds as holistic or seamless.
6. Are engaged in systematic reflection of their own role as researchers.
7. Are sensitive and aware of their own biographies and how this shapes the study.
8. Uses complex reasoning that is multifaceted and interactive.

When working with our study of Acergy we have tried to use these eight characteristics as a guide line in how our research should be handled and how we as researchers should behave. We were especially aware of the implications as we both had applied for work in Acergy, and that the recruitment process back then were an ongoing process that would run parallel with our research.

There are two main ways of looking at qualitative research. The first is the “traditional” qualitative research, (Marshall & Rosmann, 1999) that has three assumptions:

1. That knowledge is subjective and therefore there is now objective truth.
2. Researchers learn from its participants and try to understand the meaning of their lives. It is important for the researcher to maintain as neutral as possible.
3. The society is structured and orderly.

Critical and postmodern qualitative research shares the assumption that knowledge is subjective. They do however not look on society as structured and orderly, but rather that it is conflictual and oppressive (Marshall & Rosmann, 1999). This lead to three new assumptions about qualitative research:

1. The researchers need to closely examine how they represent the participants in the research.
2. It is also important to closely scrutinize how the complex relations between personal biography, power, status and interactions with participants and the written words.
3. Researchers need to be aware of the dynamics of ethics and politics in the research.

This new critical and postmodern view of qualitative research implied that we needed to be aware of how the way we handled the information presented to us by the people in Acergy. We have been aware of our background, the fact that we are outsiders in Acergy might influence how we interpret our impressions and the information gathered in our visit to Canada. We were also aware that we might receive information that the company did not want the public to know about. We did however not receive such information. What we did was that we first asked if there were any information the company did not want to reveal. If so, we could either not include the information in our thesis or we could get the publication delayed. During the interviews with the employees in St. John’s we also noted the email addresses of the respondents, so that we could send them interview summaries containing most of what had been talked about during the interviews. That way the respondents had the chance to both correct themselves and implement more information in case they forgot or

missed out anything the first time. We finally, before sending the thesis to printing, sent the thesis to Simon Hume for a final approval. This was also our last opportunity to make changes in our thesis.

Another implication we were faced with, and that came as a surprise to us, was more of an ethical character and involved us not talking to Acergy's alliance partner in St. John's, Pro-Dive. The whole time while we were in Canada, we thought we would get the opportunity to interview the head of Pro-Dive; scheduling a meeting seemed just like a formality. We were however notified that such meeting could not occur at that point. Due to some contractual issues that occupied both parties it was not possible at the time to talk to Pro-Dive. By ethical we mean that we were sort of faced with a dilemma. What was more important; following the advice given by Acergy and not contact Pro-Dive or contact Pro-Dive and get possible valuable input for our thesis. We decided not to contact Pro-Dive on our own. However, the last day we spent in Canada a meeting with a Pro-Dive employee currently working with Acergy were setup for us. It kind of worked out for us in the end after all.

Marshall and Rossman (1999) points out three major challenges for researchers using qualitative methodology. The first is what they have chosen to call "should-do-ability". This challenge is focusing on the development of the correct conceptual framework for the thesis to make sure that the study is thorough, concise and elegant. It is important for the researchers to be able to answer anyone asking why the research is being done. We have answered this in the end of the theory chapter where we also have included the conceptual framework developed for this thesis. The short explanation in regards to why, is that we by analyzing the setup in St. Johns have the opportunity to relate real life processes to theory. As we are specializing in International Business, what could be better than to study an ongoing internationalization process?

The second challenge is to plan a systematic and manageable task that still is flexible to changes; this is referred to as the "do-ability" of the research. Both the ability of the researchers and the resources available, and not available, to us had to be considered. We feel we have had this area fairly under control during the whole process of writing the thesis. There have of course been implications to our research, but we have always been certain that we would get the thesis done in time. By developing and explaining how we intended to answer our research problem we had a good starting point. We further used a GANT diagram

as a tool in measuring progress of the thesis. That way we always knew what we had done, what needed to be done, and where we were according to the time schedule we had set up.

The third challenge is referred to as the “want-to-do-ability”. The researchers have to be able to prove to any stakeholder in the assignment that the research can, and should be done. One should also be able to convince the same stakeholders that there are sufficient energy and interest to finish the assignment. We did not see this as a challenge in our thesis. We have four major stakeholders; Acergy, Bodø Graduate School of Business, our self and finally people who are interested in the theories involved, either now or in regards to future studies. Acergy have proven their interest, as they were the ones contacting us to begin with. Even though we have changed our approach in regards to research problem a couple of times, they have never given us the impression that they do not want our cooperation. Bodø Graduate School of Business is an important stakeholder because the quality of our master thesis decides if we are getting a degree or not. The school needs to assess both the work process and the final result. We have sufficient interest in making a good assignment so that we can expand our knowledge in international business. The last stakeholders mentioned earlier are the people who hopefully will benefit from our research in the future.

3.2 Case design

A case study is the in-depth study of one, or a few, cases (Johannessen et. al., 2004). A case can be a program (ex: a trainee program), an activity (ex: salary negotiations), an individual person, a happening (ex: Olympic Games in Sydney) or a complete system (ex: an organization). Data in a case study can be gathered in many ways, but common for them all is that it is connected to a specific time and place, not like in for example grounded theory where data can be gathered “anywhere and at any time”. The case has to be studied in a specific setting if it is not to grow to an unmanageable size, the setting can be physical, social, historical and/or economical. When using a case study there are five parts that has to be a part of the study:

1. Research question: Normally a case study is used for questions starting with “why” or “how”, but other studies can also use the case study design.
2. Theoretical assumption: A case study bases the research on assumptions, and then uses the case to see if the assumption is actually correct or if there are other connections that is presented. If the case finds that the first assumption was not correct, it opens the

way for future research on the theories that was used to make the theoretical assumption.

3. Units to analyze: The units that are to be analyzed depend on how the research question is asked. The unit can be either individuals and/or social settings.
4. The logical connection between data and assumptions: When data have been gathered it is time to analyze them, this can be done in two different ways; based on theoretical assumptions or describing the case. The first one is preferable since it is based on earlier developed theories, and just describing the case should only be used when there is no theory to base the case on.
5. Interpreting the findings: After finding the logical connection between data and theoretical assumptions the researcher need to link his analyze to existing theory, and explain his findings using these theories.

Robert Yin (Johannessen et. al., 2004) describes to different dimensions that a case study can vary in, giving us four different case design strategies:

		<i>Persons/setting that is to be contacted</i>	
		<i>Single case design</i>	<i>Multiple case design</i>
<i>The case that has been chosen to study</i>	<i>One analyzing unit</i>	Study of one single unit	Study of many similar units
	<i>Multiple analyzing units</i>	Study of one case, using selected sub-cases.	Multiple cases, using selected sub-cases

Figure 8: Different case designs (Johannessen et al., 2004, p.83)

Criticism of case study as a research methodology comes in three different forms (Bassey, 1999):

1. Lack of rigor in the design.
2. Little basis for scientific generalization.
3. Takes too long and results in long, massive and unreadable documents.

We have decided to use the case study design. The reason for this choice is that we want to do an in-depth study of a complete system, here represented by Acergy's office in St. John's. The case study design would also be the best approach to answer our research problem.

Qualitative design methods include phenomenology, ethnography, grounded theory and case studies (Johannessen et al., 2004). When deciding on what design to use, our approach were sort of what design not to choose. The grounded theory design was easy to eliminate from the process, as we are not trying to develop new theory. We are however using existing theory to analyze Acergy's setup in St. John's. The next research design eliminated was ethnography. Our report is not studying the culture in Acergy, and the design will therefore not apply. There are however important aspects with the design that we had to consider anyway. As we actually went to Canada, St. John's, to study the organization close up, we needed to be aware that being there would influence us in one way or another. We finally eliminated phenomenology from our choices. As we were not studying a phenomenon, this design would also not apply.

3.3 Sources of data

Once the research problem is defined and clearly specified, the research effort logically turns to data collection (Churchill and Iacobucci, 2004). In order to provide a scheme to solve the main research problem we have used two sources of information; primary and secondary data.

3.3.1 Primary data

When secondary data are not available or are unable to help answer the research questions, one must collect new data relevant to the particular study and research problem. These data are called primary data. What one should look for, vary from study to study, but it usually depends on research problem and research design. A clear advantage with primary data is that they are collected for the particular study, and are more consistent with the conducted research. If one wants to know about people's attitudes, intentions and buying behavior for a particular product, only primary data can be used in order to answer these questions (Ghauri and Grønhaug, 2002). Primary data in our study are mainly outcomes from the interviews we have conducted in St. John's.

3.3.2 Secondary data

Secondary data include both quantitative and qualitative data, and they can be used in both descriptive and exploratory research. The data used may be raw data, where there has been little, if any, processing or compiled data that have received some form of selection or summarizing. The main advantage of using secondary data is normally the saving in resources, especially when it comes to time and money. One will also be able to spend more time and effort analyzing and interpreting data, as the data will already be collected (Saunders et al., 2003). The secondary data in this thesis mainly comes from the official Acergy website, annual reports and documents received from the office in St. John's.

3.4 Data collection

We have decided that we want to look at Acergy's setup of an office in Canada as a case study. We have also explained literature surrounding what a case study involves. In the following part of the assignment we have reviewed methods for data collection.

Michael Bassey (1999) argues in his book "Case study research in educational settings" that case study research needs to be conducted in such a way that sufficient data are collected for the researcher to be able:

- a) to explore significant features of the case;
- b) to create plausible interpretations of what is found;
- c) to test for the trustworthiness of these interpretations;
- d) to construct a worthwhile argument or story;
- e) to relate the argument or story to any relevant research in the literature;
- f) to convey convincingly to an audience this argument or story;
- g) to provide an audit trail by which other researchers may validate or challenge the findings, or construct alternative arguments.

In order to conduct our research we went and stayed in St. John's, Canada, for one month from the 14 February to 13 March. We had prior to our arrival been in contact with the head of the Acergy office in St. John's. We had also had a meeting with head of Acergy's Northern Europe and Canada region, Øyvind Mikaelson, discussing research problem and research approach. It was actually upon his request that we went to Canada in the time period we did. There were a lot of activities planned for the office in the months after our arrival, moving

into new offices being an essential one. To make sure that the people working there had time for us, it was best that we went there no later than we did.

There are four major methods of collecting research data qualitative researchers typically rely on; participation in setting, direct observation, in-depth interviewing and analysing documents and material culture (Marshall & Rossman, 1999). We have reviewed three of these methods. As we did not participated in the setting, we do not feel the need to include a further review in regards to participation.

3.4.1 Interview

Interview is one of the most widely used procedures in research (Brenner et. al, 1987). Qualitative researchers rely quite extensively on in-depth interviewing (Marshall & Rossman, 1999). The logic behind interviewing is that the best way of finding out something about peoples activities, is to ask them. A central value of interview as a research procedure is that it allows both parties to explore the meaning of the questions and answers involved. Any misunderstandings on the part of the interviewer or the respondent can be checked immediately in a way which is just not possible when for example questionnaires are being completed (Brenner et. al, 1987).

An important reason for using interview as a measure of collecting data is when we have an interest in human experience and perception (Johannesen et. al, 2004). Patton (1990, in Marshall & Rossman, 1999) categorises interviews into three general types: The informal conversation interview, the general interview guide approach, and the standardised open-ended interview.

Qualitative in-depth interviews are typically much more like conversations rather than formal events with predetermined response categories. The goal of the interviews is in many cases to uncover what the respondent determines as important within a few general topics. It is important to bring out the view of the respondent, not the researcher. A degree of systematisation in questioning may however be necessary if for example many participants are interviewed. In addition to in-depth interviewing there are several more specialized forms of interviews, including ethnographic interviewing, phenomenological interviewing, elite interviewing, focus group interviewing and interviewing children (Marshall & Rossman, 1999). Interview is viewed as a flexible way of collecting data needed. By this statement one

mean that researchers often have to find their own path. A previous successful way of gathering information may not be the same for future researchers.

We needed to gather information possessed by the employees in Acergy, and felt that interviews were the best way in which these employees could share their experiences with us. As a method mentioned above, we hoped that our interviews would lean towards a conversation rather than a formal event. We did however set up an interview guide, just to make sure that all our questions would be answered. Earlier in this chapter we also discussed the issue of approval from the respondents. Our way of solving this was to send each of the respondents a summary, containing the information we considered important to us. That way the respondents had the opportunity to correct themselves, fill in blanks, and give us their approval.

3.4.2 Analysing documents

Analysing available documents are used by researchers as supplement to interviews, participation and observation. The review of documents is an unobtrusive method, rich in portraying the values and beliefs of participants in the setting. Examples of relevant documents may be letters, announcements, logs, statements and so on. All of which are useful in developing an understanding of the setting or group studied. These kinds of documents can be very informative and a helpful tool for researchers, even though they might be gathered with another purpose in mind (Marshall & Rossman, 1999).

We have supplemented our thesis with already documented literature. Limitations, which we have review in the conclusion chapter, in the form of both time and resources, made us unable to collect all the information we needed using interviews and observation. Another issue was; why should we not use the documents available to us? Reviewing already existing documents, in the shape of web sites, annual reports and articles, simplified our writing process considerably. Acergy has a highly informative web page were one can find pretty much everything one needs to know about the company. Combining this with documents, regarding the start-up process, we received from office in St. John's we felt that we had sufficient information to write our thesis.

3.4.3 Observation

Observation requires the presence of the researcher in situations relevant for the study (Johannesen et. al, 2004). The observational records, referred to as field notes, are detailed, non-judgemental, concrete descriptions of what has been observed. Unlike the participation method, observation does not require the researcher to make an effort to take a particular role. The fact that the researcher is there strictly as an observer is enough (Marshall & Rossman, 1999).

Observation can be described as work in the field. Information can be difficult to collect using methods like interviews and questionnaires. Objects that can be studied (Johannesen et al, 2004):

- Single individuals
- Groups
- Organisations and firms
- Groups within organisations
- Local communities

If one chooses to use observation as a method of collecting data, one should be fairly certain that this is the way to go. Observation does not only demand a lot of resources, it also takes up a lot of time. There are several reasons why one should choose observation as a method; one wishes firsthand knowledge surrounding the development of social phenomenon, one want to make own reflections and one believes in learning by experiencing. In our thesis we used observations as a passive way of gathering data. Being able to observe the day to day operations at the office in St. John's were however one of the key arguments behind our visit in Canada. We did not focus our observations towards specific areas, simply because we wanted to see and learn as much as possible surrounding the start-up. A setting in which we were able to use observation was when we conducted our interviews, by conducting the interviews in the Acergy/Pro-Dive office we also had the opportunity to observe the level of cooperation between Acergy and Pro-Dive.

3.5 Respondents

In qualitative studies, the people studied are called units, and what we are studying are called variables and values. Research questions usually express who we want to know something about, classified as units in the study. Johannesen et al. (2004) distinguish between two different types of units: (1) Units are usually people, either groups or individuals. (2) Units can also be objects like for example journals, news paper articles or firms.

In our research the different individuals that we interviewed were our units. Even though we were planning on studying the whole operation, we needed to focus on different individuals in the organisation when gathering information.

We have in the table below presented a list of the interviews conducted:

Name	Position	Company	Date	Type of interview	Duration	Reason for interview
Tine Westerberg	Adviser	Norwegian Shipowner's Association	18.10.2007	Email correspondence		Getting in contact with Acergy
Siri Skaar	Project Manager - Subsea Projects	Acergy	7.1.2008	Open discussion	30 minutes	She provided us with a topic for our thesis
Øyvind Mikaelson	VP NEC region	Acergy	7.1.2008	Open discussion	30 minutes	Discussion regarding research problem and research approach
Simon Hume	General Manager - Atlantic Canada	Acergy	18.2.2008	Open discussion	1 hour	Setting up meetings, getting a general overview of the establishment in St. John's
Simon Hume	General Manager - Atlantic Canada	Acergy	28.2.2008	Semi-structured	1 hour	Gather information needed in regards to our literature approach
Paul Reid	Engineering Manager	Acergy	12.3.2008	Semi-structured	1 hour	Focusing on the recruitment process, learning about key relationships
Heather King	Financial Assistant	Pro-Dive	12.3.2008	Semi-structured	45 minutes	Gathering information concerning the Pro-Dive Acergy alliance
David Squires	General Manager and President	Pro-Dive	11.4.2008	Email interview		Gathering information concerning the Pro-Dive Acergy alliance

Figure 9: Data gathering

We have in our selection of respondents tried to get as much insight into the start-up process as possible. The office in St. John's employs 21 workers, 20 being engineers. We did not feel the need to ask all of these the same questions and get possible 20 equal answers. Instead we have focused on choosing respondents that we thought would give us new information. It is

also important to mention that we have used email as an important tool when communicating with the different respondents. Continuous email correspondence, mostly with Simon Hume in Acergy, have been an important part of our data collection.

Time and place are often difficult to determine in qualitative research. Reason for this is mainly that qualitative studies requires more time in regards to interviews and/or observation compared to quantitative studies. When conducting a qualitative study, certain guidelines and requirements should be met in regards to the unit studied; during which period of time should the study go on, when and where will the gathering of data take place, will the research interrupt the unit in any way, possibility of being anonymous, and benefits for the unit by participating (Mehmetoglu, 2004). Our case study was based on the fact that the company actually wanted our cooperation. We did therefore meet few obstacles when it came to data collection. We have earlier mentioned that the company wanted us there in late February early – early March, because they might be busy in April.

3.6 Analysis of data

The next step in our methodology is to determine how to record, manage and analyse data. Qualitative research is not a passive endeavour; insight does not wondrously enlighten the researcher (Marshall & Rossman, 1999). Morse (1994) describes data analysis as a process which requires astute questioning, a relentless search for answers, active observation, and accurate recall. Data analysis, according to Morse (1994, p.25), is; *“a process of piecing together data, of making the invisible obvious, of recognising the significant from the insignificant, of linking seemingly unrelated facts logically, of fitting categories one with another, and of attributing consequences to antecedents.”*

Data analysis is often a messy, ambiguous, time-consuming, creative, and fascinating process (Marshall & Rossman, 1999). We are looking for general statements about relationships among categories of data. We should also somehow convince the readers that we possess sufficient knowledge, based mainly on literature, which actually makes us able to analyse the collected data. Writers choose themselves, when the process of analysing starts. Some researchers prefigure the analysis before data collection; some begins during the data collection; and others again waits until all data have been gathered. We started our data analysis after leaving Canada, as we felt sure that we had most of the data needed available to

us. By not delaying the analysis further, we also had the opportunity to gather more information through email correspondence if necessary.

Marshall and Rossman (1999) separate typically analytic procedures into six phases, which we in turn will describe shortly.

- a) Organising the data: When the process of gathering data is over, dealing with all the pieces of information can be overwhelming. Helpful methods of dealing with such data might be; reading the material over and over again (giving the researcher an overview), listing of note cards, and to enter data into different types of software programs for the management analysis.
- b) Generating categories, themes and patterns: The analytical process demands a heightened awareness of the data, a focused attention to those data, and openness to the subtle, tacit undercurrents of social life. The process of category generation involves noting patterns evident in the setting and expressed by the participants studied. As categories of meaning emerge, the researcher searches for those that have internal convergence and external divergence.
- c) Coding the data: This is considered to be the formal representation of analytic thinking. After generating categories and themes, the researchers uses coding schemes which again diligently and thoroughly marks participants in the data using codes. Example of codes different codes are key words, numbers and so on.
- d) Testing emergent understandings: Here the researchers begin to evaluate their developing understanding and exploring them through the data. Part of this phase is to evaluate the data for their usefulness and centrality.
- e) Searching for alternative explanations: A researcher must always remain critical, even though the patterns may seem apparent. One should search for other, plausible explanations of these data and the linkages among them. Alternative explanations always exists, the researcher must search for, identify and describe them.
- f) Writing the report: Writing about qualitative data cannot be separated from the analytic process. The choice of words reflects on the complexity of the data. The researcher is engaging in an interpretive act, where massive amounts of raw data are reproduced into a report.

3.7 Evaluation criteria

Evaluation criteria are essential to assess qualitative studies. The researcher must realize that criteria is a necessity and requires an establishment of pre-selected criteria by experts' decisions, consensus, or agreed-on terms. During the past few decades, qualitative researchers have posed questions about appraising qualitative studies, which again have been regarded as stepping stones in conducting a sound qualitative study. Example of these questions may be; was trust established with the informants? Who were the informants and how many? Did the researcher review the literature before beginning the study? (Morse, 1994)

Janice M. Morse (1994) discussed a great concern regarding qualitative research in her book "Critical Issues in Qualitative Research Methods". The concern is that many qualitative researchers are using quantitative criteria to interpret, explain and support their findings. Using quantitative criteria to evaluate qualitative studies reduces the credibility on the findings. Qualitative research criteria must be used to fit with the philosophical assumptions, purposes, and goals of the qualitative paradigm.

Identifying what actually qualitative criteria are, in terms of usage, may be confusing. Truth be told, there are only a few authors that explicitly identified and discussed the uses and importance of qualitative criteria to evaluate their research studies. There is however an agreement that there are certain areas and questions one might use in a qualitative study, such as significance of the research, the methods used, and ethical standards of qualitative research (Morse, 1994).

Another important issue is the respect for the persons in the case study research. A simple guideline here is that we should conduct ourselves in a way that makes us able to look the people involved in the eyes when the study is over. A case study involves taking extensive data from the people being questioned or observed, trying to extract some meaning, and expressing what one finds in a cogent form to an audience (Bassey, 1999).

3.8 Validity and Reliability

The data collected should be valid and reliable. Mark Easterby-Smith (Easterby-Smith et. al. 2002) considers validity as a question of how far we can be certain that a test or instrument measures the attribute that it is supposed to measure. The same author argues that reliability is primarily a matter of stability. If the collected data are not accurate, relevant or off the topic, it

will be useless. In order to maintain validity and reliability, we have chosen respondents that we believe are the most familiar with the start-up process. Both Simon Hume and Paul Reid have been with the office from the beginning and were the most natural people to talk with. We choose Heather King because she has experience from working with both sides of the alliance, as she is employed by Pro-Dive, currently working for Acergy.

3.8.1 Validity

Validity refers to the degree to which a study accurately reflects the specific concept that the researcher is attempting to measure or describe. While reliability is concerned with the accuracy of the actual measuring instrument or procedure, validity is concerned with the success of the study. A question researchers often ask themselves in regards to validity is: Are you measuring what you think you are measuring? (Kvale, 1995)

We are in our thesis concerned with giving an accurate analysis of the start-up process in St. John's. In order to increase the validity of the thesis, we choose to wait before deciding who in St. John's to interview, until after we had spoken to Simon Hume. We felt sure that he would have some ideas in regards to who we should speak with, which he, in turn, did. By doing this we felt more certain that the potential respondents would contribute to the success of the study. Another issue that was important in regards to success is the use of the implemented literature. We have earlier explained that our theoretical approach involves a gap in the literature, which we intend to explore by piecing together literature involving international entrepreneurship and relationships and networks with the entrepreneurial process. Actual use of the implemented literature later in the analysis, also contributes to the success of the thesis. Why would we implement literature we did not intend to use?

3.8.2 Reliability

Reliability is generally seen as a very difficult concept in qualitative research. Le Compte and Goetz (1982, p.32) defined reliability as: "*The extent to which studies can be replicated.*"

Researchers should continuously evaluate the stability and transparency in how much sense it is in the collected data. It is important for a researcher to not include everything he hear, but get the answers needed. One way to determine reliability is if you as researcher ask yourself if other researchers, investigating the same issues you are, get the same findings.

In order to increase the reliability of our thesis, we have not portrayed only the views of the respondents; we have also browsed the Acergy official web site and annual reports. Using different materials to describe the process of setting up the new office in St. John's gave us the opportunity to evaluate the setup from different perspectives. For example, was the process going according to schedule? Here we compared the views of the respondents with documented progress reports that we received from the office.

3.9 Summary

In this chapter, the research methods and data collection techniques used in this study have been discussed. Our focus has been not only to review what we have done, but also to explain reasons why we have done it. We have argued for a qualitative approach, using the case study design.

Two sources of information including primary and secondary data are used. The primary data collection was carried out through individual in-depth and semi-structured interviews. Although the sample size of our interviews conducted looks small, the selection procedure makes it representative and of value to this research. Instead of interviewing 20 engineers with the potential of getting 20 similar answers, we decided to interview employees that we believed would bring new information to our research. The application of purposive sampling method has great contribution in finding valid and reliable data.

In addition to the first hand data collected during our stay in St. John's, we have supplemented our research with secondary data such as reports, articles and presentations, either given to us or located on the Internet. Combining the use of these sources of data we felt capable of answering both our research problem and research question.

4. Case Description

4.1 Environmental review

To start the case description we have chosen to conduct an environmental review of the oil and gas industry in Atlantic Canada. The area that we refer to here are the areas offshore Nova Scotia and Newfoundland and Labrador. In the future Acergy’s operations could expand into the Baffin Sea (between Greenland and Canada).

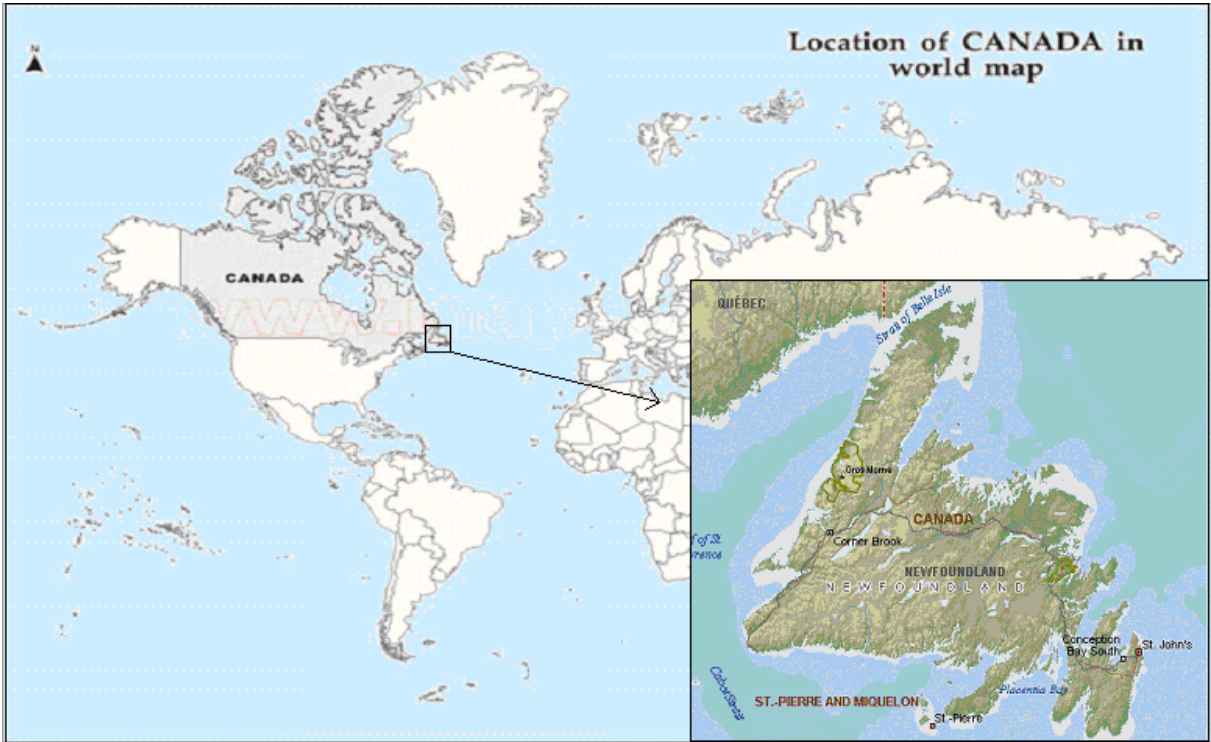


Figure 10: Canada in World map (Maps of the world, 2005)

In this part of the thesis we are presenting Canada using the PESTEL framework, which categorizes environmental influences into six main types; political, economical, social, technological, environmental and legal. We will try to explain conditions with relevance to our report.

Canada has rich natural resources which again results in the fact that Canada is one of the world’s largest producers and exporters of energy (Eia, 2007). Being the second largest country in the world, after Russia, in terms of land area (9.9 million sq. km.), the Canadian climate varies from temperate in the south to subarctic and arctic in the north (TravelBlog,

2008a). Even though the Canadian population, approximately 33 million, may seem relatively small compared to its neighbor the US, Canada is consistently among the top sources for foreign oil imports, especially to the US, and it is the largest source of US natural gas and electricity imports (Eia, 2007).

Canada became a self-governing dominion in 1867. Its population descends mainly from British and French origin, but also Asian, African and Arab backgrounds are represented (CIA, 2008). Economically and technologically the nation has developed in parallel with the US, resembling itself in its market oriented economic system, pattern of production and affluent living standards (TravelBlog, 2008b). The Canadian oil and gas industry can be divided into three main geographical areas of production: Offshore Atlantic Canada, oil-sands (mainly in Alberta), and oil reserves on- and offshore the north-west corner of Canada (University of Saskatchewan, 2005).

There are several government and non-profit organizations working to control and promote the oil and gas industry in Newfoundland, Labrador and Nova Scotia. The local government board for the oil and gas industry in St. John's is; The Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB, 2008). This board is, on behalf of the Canadian government, managing the offshore petroleum resources offshore Newfoundland and Labrador. A similar board is located in Halifax and is representing Nova Scotia; Canada – Nova Scotia Offshore Petroleum Board (C-NSOPB, 2008). The main assignments for these boards are (C-NLOPB, 2008):

- Health and safety for offshore workers.
- Protection of the environment during offshore petroleum activities.
- Management and conservation of offshore petroleum resources.
- Compliance with the provisions of the Accord Acts that deal with Canada-Nova Scotia/Newfoundland and Labrador employment and industrial benefits.
- Issuance of licenses for offshore exploration and development.
- Resource evaluation, data collection, curation and distribution.

In the same area there are also two non-profit organizations representing the oil industry; The Newfoundland & Labrador Oil & Gas Industries Association in St. John's (NOIA, 2008a),

and the Offshore/Onshore Technologies Association of Nova Scotia (OTANS, 2008a). These organizations provides to its members (NOIA, 2008a):

- Market intelligence
- Business opportunity information
- Updates on industry and business trends
- Networking with industry players
- Profile and marketing opportunities
- A voice for the supply and service sector

Acergy is a member of both NOIA (2008b) and OTANS (2008b).

Oil production offshore Newfoundland has been conducted at three different fields the last years; Hibernia, Terra Nova and White Rose (Government of Newfoundland and Labrador, 2007). The production has long been dominated by the Hibernia oil field and from production started at Hibernia in 1997 until 2003, when the production at Hibernia reached its maximum, the oil production offshore Newfoundland were increasing. In the years 2004 – 2006 oil production offshore Newfoundland slowly decreased. In 2007 both Terra Nova and White Rose delivered larger volumes of oil than ever before and the oil production in the region reached a new all-time high. Even though production was decreasing from 2004 to 2006, the value of the oil was increasing continuously due to increasing oil price.

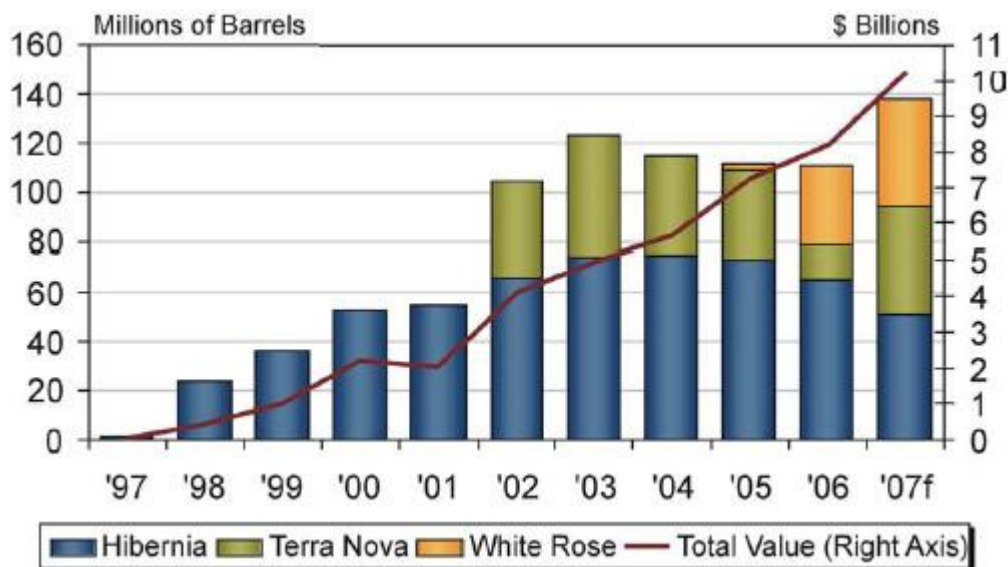


Figure 11: Oil production in Newfoundland and Labrador (Government of Newfoundland and Labrador, 2007) (Production for the second half of 2007 is estimated)

In addition to the three large oil fields in Newfoundland, there have been earlier activity on the Panuke field, and there is now development at the Deep Panuke project off the coast of Nova Scotia (EnCana, 2008). The Deep Panuke field is a natural gas field (Hibernia, Terra Nova and White Rose are all currently producing only oil, but there is a possibility of extracting gas there in the future). The first Acergy project run from the St. John's office will be at the Deep Panuke field, scheduled to begin in 2009 (Acergy, 2008d).

During the interview with Simon Hume he commented on social and cultural factors being one of the key reasons why Acergy choose to establish an office in St. John's. It is not only hard to establish a good connection to the market if the organization is not locally represented; it is also proven easier to hire engineers from Memorial University if the workplace is in St. John's instead of Stavanger, Aberdeen or Houston. Simon Hume also said that this effect is not specific to Canada. The same can be observed in Norway and Scotland where it is easier to hire an engineer on a long term contract if the engineers are from that country/area.

The Atlantic Canada's offshore industry is concentrated around St. John's and Halifax, and when Acergy were to choose which city to be located in, the technological expertise

graduating from Memorial University was one of the factors giving St. John's an advantage over Halifax. As a result of the engineering capacities in St. John's and Canada, as well as an already well established oil and gas industry in the area, Acergy are able to hire almost exclusively Canadian workers and they are hoping this will contribute to a stable workforce.

The environment offshore Atlantic Canada is one of the harshest that the offshore oil and gas industry operates under, and the possibility for new oil and gas explorations even further north provides the industry with potentially new challenges. To provide an example of just how harsh the environment is we look at the extreme constructions needed for the Hibernia platform (Hibernia, 2008). The weather conditions here have also been made famous by the film "The perfect storm" (Warner Bros., 2000). The movie is based on a storm that hit the Atlantic coast of Canada in 1991 which produced waves over 30 meters tall in the area close to where the Hibernia platform is located today.

Canada-Newfoundland and Labrador Offshore Petroleum Board is responsible for monitoring all offshore oil and gas industry of the coast of Newfoundland and Labrador (CNLOPB, 2008). Together with C-NSOPB they cover the Atlantic coast of Canada and are constantly checking that all offshore operations have the necessary plans to cope with the weather conditions and other situations that might have an impact on the environment. The offshore industry also has to cooperate with the fishing industry in the area. There are several large fishing banks such as "The Grand Banks" and "George Bank". The Grand Banks have already been opened for the oil industry and now include, among other, the Hibernia oil field (WWF, 2008).

Most of these environmental issues will be handled by Acergy's customers, but Acergy have to follow any rules and decisions made by the C-NLOPB/C-NSOPB. Acergy will of course also be affected if the conflict of interest between fishing and the oil and gas industry causes problems for the oil and gas industry, since any problems will have an effect on the amount of contracts available to compete for. In the interview with Simon Hume he expresses his personal belief that environmental issues are less in focus in Newfoundland than what he is used to from Norway and the UK.

Canada has recognized the benefits from FDI and both federal and provincial government is working to attract FDI (Chaundy, 2002). There has however been industry based restrictions

country wide to prevent foreign control over Canadian resources. However due to the Canadian government recognizing the positive effects of FDI and the agreements from the WTO most of these restrictions have been removed. Chaundy (2002, p.47) therefore claims that; *“Attempts to achieve such local linkages through local sourcing requirements may no longer be effective”*.

Canada is also a part of the North American Free Trade Agreement, this makes local requirements even harder to enforce. Canada is not obligated to treat all WTO investors as if they were NAFTA (North American Free Trade Agreement) members under the WTO “Most Favored Nation” rule, since one of the exceptions from this rule is agreements made within a free trade area (WTO, 2008). However, according to Chaundy (2002, p.41); *“Since the establishment of the WTO in 1995, the thresholds for NAFTA members have been extended to all WTO investors. The energy sector was also further liberalized in 1992 treating the oil and gas industry like any other industry under the Investment Canada review process.”*

When asked if Acergy have encountered any legal issues when setting up the office Simon Hume points out that Acergy Canada are incorporated in Nova Scotia to avoid having to have a Canadian sitting in the board of the company. There will of course also be legal issues regarding the formal alliance contract between Acergy and Pro-Dive, but it is outside our research to enter the legal aspect of this alliance.

4.2 Market review

In this part of the assignment we will focus on five aspects of the market; Rivalry among existing firms, the bargaining power of suppliers and buyers, the threat of new entrants and the threat of substitute products/services (Porter, 1979).

4.2.1 Industry competitors

The seabed-to-surface market is dominated by few competitors fighting for each contract. In terms of competitors locally, Technip have been located in St. John’s for over 10 years. Technip are competing with Acergy in the SURF (Subsea, Umbilical’s, Risers and Flowlines) market (Technip, 2008). The fact that Technip is locally represented with an engineering office in St. John’s is one of the reasons why Acergy could not wait any longer before setting up an office in Canada.

Another company that operates in the area is Sonsub (Sonsub, 2008). Sonsub do not have an office in Canada, but they have been working on projects offshore Canada before. We also need to mention one more competitor; Subsea7. Subsea7 (2008) are, nor have they been, directly involved in projects in Canada, but as one of the leading competitors in the IRM (Inspection, Repair and Maintenance) market they will always be a potential competitor to Acergy in the IMR market. The market place is made a little more complicated than described above by the fact that strategic alliances are common in the offshore oil industry. It is not unusual for many firms to cooperate in different types of projects. As an example we know that Acergy and Subsea7 have been working together on some projects in NEC. There are also other competitors in the industry, but none of them are locally represented in Canada.

4.2.2 Threats from new entrants

Due to the large entry barriers in the form of capital, market knowledge, engineering expertise, networks and strategic alliances in the market it will be very difficult for a new global competitor to emerge from nowhere. There will however be the possibility of new entrants into the Canadian market from offshore engineering and construction companies that is not currently operating in this market. There are also the possibility of new competitors as a result of mergers and alliances within the industry.

4.2.3 Threats from substitute products/services

There is no immediate threat that Acergy's services will be replaced by a substitute. There are however a threat from competitors if Acergy no longer manages to be in the forefront on innovation, research and development. The increasing energy needs of the world makes the offshore oil and gas industry push the boundaries of what is possible and Acergy needs to be constantly developing new technology to keep up with industry demands.

In the long run there will be a threat from other energy sources to take over the energy demands that the oil and gas industry are covering today, and thereby forcing Acergy to change their business area if they want to continue to exist, but when will the oil run out? Different scientists have different theories. According to an article in "The Independent" by Daniel Howden (2007) the world will run out of oil in 2040 if we continue the current consumption. Other scientists in his article predicts that world oil and gas consumption will peak at around 2010-2011 which will make the oil last longer, but this will still not be good news for Acergy since less consumption will mean a decline in new oil fields and less work

will be available for Acergy to fight for. There is however large uncertainties around the estimates of world oil and gas reserves. An article in the Washington Post by Daniel Yergin (2005) points to the fact that this is the fifth time scientists is claiming that the world is out of oil, and that they probably are wrong this time too.

4.2.4 Customers and suppliers

Acergy's customers are mainly the operators and developers of the oil and gas fields around the world. In Canada Acergy's first customer is EnCana Corporation. The project involves installation of Flowlines and Umbilical's on the Deep Panuke field offshore Nova Scotia (Acergy, 2008d). Other large Acergy customers in Northern Europe and Canada are companies like StatoilHydro, BP and Shell.

What suppliers Acergy uses depend on what kind of contract they are working. It will vary from suppliers of office supply, the diving and ROV capabilities of Pro-Dive, to long term ship chartering contracts with Eidsvik Shipping. Due to the large differences in relationships with both suppliers and customers it is impossible to generalize on the bargaining power of suppliers and customers, it will however be important for Acergy to maintain a good reputation both locally and globally to maintain a good relationship with current partners. A good reputation also helps the organization to attract engineering and construction contracts, qualified employees and reliable suppliers.

4.3 Acergy

Acergy (2008a) started out as Stolt Nielsen Offshore in the early 1970s. The main business focus was to provide the growing Norwegian offshore oil and gas industry with divers and ROV's (Remotely Operated Vehicles). In 1989 the firm also had acquired an operating base in Aberdeen and was expanding their business by buying a French company called Comex Services. In the early 90's the growth continued as they entered the rigid flowline market and they started to provide more complete solutions for the offshore industry by providing not only divers and ROV's, but also complete installations all the way from the engineering phase to complete installations.

In the following years growth continued and in 1997 Stolt Nielsen Offshore started on their first ultra-deepwater (deeper than 6000 feet) project off the coast of West Africa. In the years to come even more companies become a part of Stolt Nielsen Offshore, this included Cencic

Corporation of Houston, 49% of NKT Flexibles in Denmark, and engineering and pipelay specialist ETPM in France. The company changed their name to Stolt Offshore in 2000, but all the rapid expansions of the late 90s led to problems for Stolt Offshore. In 2002 this resulted in the firings of the CEO, Chief Operating Officer, and the Director of Product Lines (Keilen, 2002). In 2003 a new senior management team were in place (Acergy, 2008a) and the company could focus on how to get the company running smoothly again. The focus of Stolt Offshore was re-defined to focus on a narrower market and all non-core operations were outsourced or sold.

Outcomes of the “new” Stolt Offshore were new visions and values, and when Stolt-Nielsen sold their last shares in Stolt Offshore the name had to be changed for legal reasons, and Acergy were born (Acergy 2005). The new vision for Acergy is “to be the acknowledged leader in seabed-to-surface engineering and construction” (Acergy, 2008b, p.3). Acergy were also to be founded on the following 6 key values (Acergy, 2008b p.5):

- *“We operate as one group*
- *Client relationships are key*
- *People are central to our success*
- *Projects are our business*
- *Engineering is the hearth of our business*
- *We act on our commitment.”*

Today Acergy are operating in four main business areas (Acergy 2008c). SURF (Subsea, Umbilical, Risers and Flowlines) are Acergy’s biggest business area contributing 74% of the total revenue in 2007. The main focus in SURF is engineering and construction for subsea deployments, pipeline and riser systems as well as associated services. Their second largest business area is trunklines (15%). A trunkline is a large dimension oil or gas pipeline running over a long distance. The other two business areas are IMR (Inspection, Maintenance and Repair) with 4% and Conventional (fixed offshore installations) with 7%.

During the last three year’s Acergy have proven that the setback they experienced before changing from Stolt Offshore to Acergy have been solved, and that Acergy now are capable of delivering a steady revenue and income.

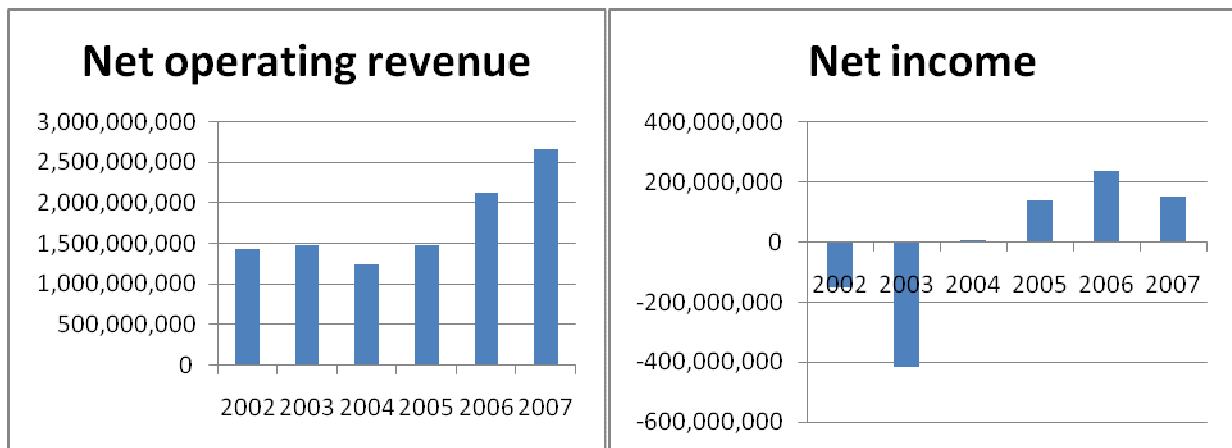


Figure 12: Financial data Acergy (Acergy 2008c and Stolt Offshore 2005) (all amounts in USD)

Acergy are divided into five regions:

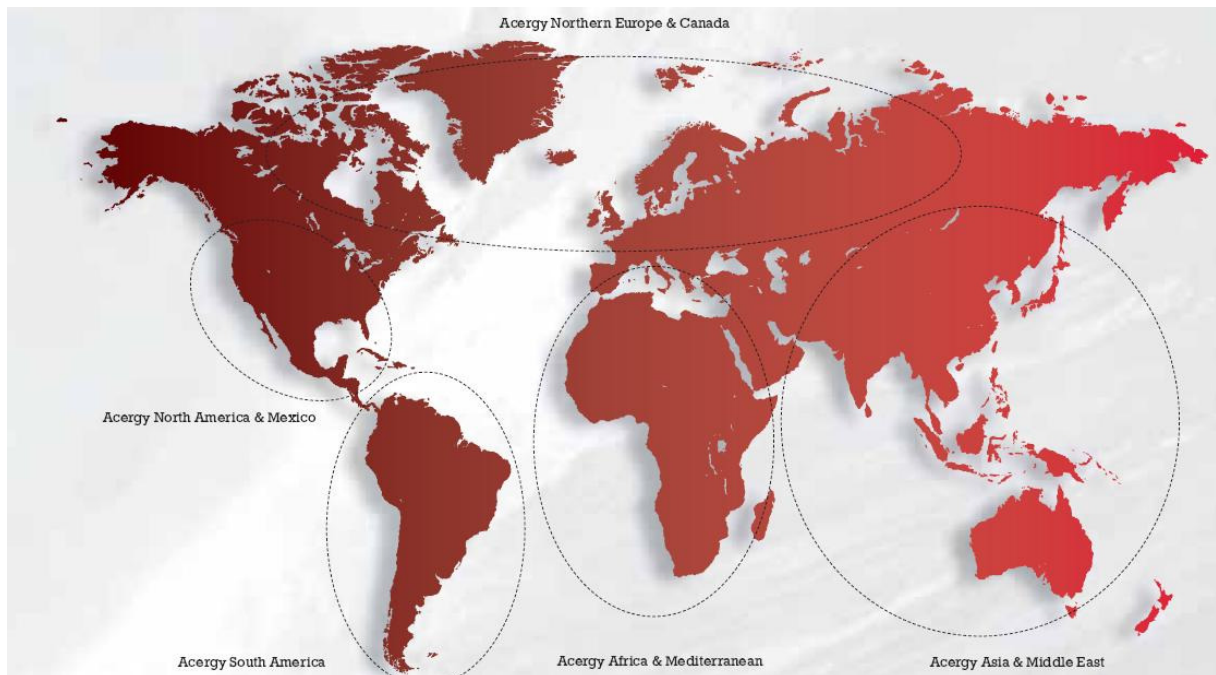


Figure 13: Acergy's regions (Acergy, 2007, p.4)

Africa & Mediterranean is the largest region in terms of net revenue with 53%, followed by Northern Europe & Canada (34%), South America (9%), Asia & Middle East (4%) and North America & Mexico (Acergy, 2008c). The new office in St. John's is sorting under Northern

Europe and Canada (NEC). The reason why Canada has been put together with Northern Europe instead of North America and Mexico is because the conditions which the Atlantic Canada oil and gas industry operates under are similar to what can be found in northern Europe and cannot be compared to the conditions in the (relatively) calm oceans in the Gulf of Mexico.

The NEC region operates in one of the harshest environments in the offshore industry and includes Tunisia and Azerbaijan as well as northern Europe and the Atlantic side of Canada (Acergy, 2008c). One of Acergy's key operation partners in NEC is Subsea7 and many of Acergy's operations in NEC are in cooperation with Subsea7. Acergy have four offices in the NEC region; their headquarters in Stavanger (Norway) and Aberdeen (UK), and engineering offices in St. John's (Canada) and Moscow (Russia). In 2007 NEC increased their total revenue from \$827m in 2006 to \$908m in 2007 (10%) mainly due to increased activity in the SURF divisions. Net income could not keep up with the increasing revenue, but the region still managed to deliver a higher result than in 2006 with an increase of 5% from \$123m to \$129m. Some of the large contributions to the positive result came from improved results on projects such as: Britannia Satellites, Dumbarton, CNR Frame and Eldfisk. Contributing negative to the net income was NEC's part of the losses in the Mexilhão Trunkline Project and under utilization of the Acergy Piper.

4.4 The set-up process

The first time we are able to find Canada mentioned in the "Annual reports and accounts" from Acergy/Stolt Offshore is in the 2003 version of the report where the region previously named Northern Europe, had changed to what we now know as NEC (Stolt Offshore, 2004). It does however seem that Acergy (then: Stolt Comex Seaway) already in 1999 was awarded with a contract in Canada (Stolt Comex Seaway, 1999). The project was worth \$5m and was conducted by the "Gulf of Mexico" division.

According to Simon Hume, General Manager in Acergy's St. John's office, Acergy have had plans to enter the Canadian market for a long time, but they have been waiting for the right time to enter. There are two main reasons for setting up the office in St. Johns now, the first being the opportunity for projects. Earlier projects in the area have been the Hibernia platform, the White Rose field and the Terra Nova field. While a competitor like Technip have been in the area for more than 10 years, Acergy have always seen timing as a big

problem. Issues like government involvement, long term commitment and market reactions are essential in regards to local content. The general idea is that clients would prefer doing business with companies that are locally present in the Newfoundland area. The reason for setting up operations now is that the company wants to position itself for work in the Atlantic Canada region, they believe in industry growth in the years to come. The second reason for choosing St. Johns is recruitment. The Memorial University, located in St. John's, is known to educate highly qualified engineers. A problem that the company has experienced in other countries such as for example Norway is that people are not that willing to move, especially when it comes to moving away from their home town, and also when it comes to moving abroad. By setting up operations in St. John's, Acergy have taken this problem into consideration using the "if they won't move to us, we'll move to them"- mentality.

The actual set-up of the St. John's office started with an initial visit in late January 2007, followed by meetings with Pro-Dive and the development of strategies and budgets. In the beginning of June 2007 temporary offices in the buildings belonging to Pro-Dive were in place and Acergy started the recruitment process. The first person that was hired locally was the Engineering manager, Paul Reid. At around the same time Project manager, Simon Hume, moved to St. John's. Today there are 21 people working for Acergy in St. John's, all of them are engineers (Simon Hume is an engineer, but are currently working as Project Manager). Recruitment and payroll services are outsourced, and support staff at the office is provided by Pro-Dive. Up until recently there has not been much work commenced locally at St. John's, so engineers have been relocated to other Acergy offices to keep them occupied and to give them a change to get to know the Acergy organization better.

When setting up the office, Acergy have identified local content and market knowledge as two of their key success factors along with maintaining a good reputation. One of the ways that Acergy will be able to meet these two success factors is through its alliances and partners. Acergy have decided to recruit engineers locally from the Memorial University in St. John's, but more important is the alliance with Pro-Dive. Before describing the alliance let us first have a look at Pro-Dive.

4.5 Pro-Dive

Pro-Dive Marine Services is a local St. John's diving and ROV company, and have been supporting the East Canadian oil and gas industry since 1983 (Pro-Dive, 2008). Pro-Dive

separates itself from other diving and ROV companies by being self supported with their own engineers and logistic in projects that they work on, keeping Pro-Dive less dependent on sub-contractors. Since the beginning in 1983 Pro-Dive has grown from the original 2 employees to 20 – 50 employees, depending on the amount of work available. Pro-Dive's commitment is to quality, and to become Atlantic Canada's premier subsea services provider. Acergy and Pro-Dive does not look at each other as competitors. Even though they operate in the same business, they operate on to very different levels, Pro-Dive being more of a support company, with a relatively narrow market aspect, while Acergy provides complete systems. Pro-Dive's main business areas are (Pro-Dive, 2008):

- Offshore oilfield support (air / gas / saturation diving and ROV operations).
- Underwater video inspection, photography and surveying.
- Operation of remotely operated vehicles.
- Marine engineering and consulting services.
- All types of underwater construction.
- Underwater drilling and blasting, welding and cutting.
- Non-destructive testing (CSWIP certification).
- Design and fabrication of subsea concrete mattresses.
- Logistics and project support.

4.6 The “Pro-Dive Acergy alliance”

Acergy are using strategic alliances all around the world, ranging from fully independent joint-ventures to small project based alliances. In addition many of the projects Acergy works on are strategic alliances in the form of turn-key-projects for other companies. In St. John's Acergy have formed an alliance with Pro-Dive to get an easier market entry. Acergy's first obstacle when setting up the office came when trying to register Acergy as a firm in Newfoundland. Due to local regulations in Newfoundland demanding a Canadian in the board of directors, the office is registered in Nova Scotia with an office in Newfoundland. On the more practical level something as easy as buying office supplies for the new office became a problem. With no past history in Newfoundland Acergy were unable to get credit at Staples (large office-supply chain in Canada).

To make the market entry easier Acergy started a formal alliance with Pro-Dive in November 2006, giving Acergy access to some of Pro-Dive's local resources. The alliance will be running until November 2009. The main focus for this alliance, from Acergy's perspective, is to get an easier entry into the Canadian market. Pro-Dive and Acergy have worked together on projects before the set-up of the St. John's office and several Acergy employees have known Pro-Dive for several years. As a result Pro-Dive was a natural choice when Acergy wanted a local partner. Having a local partner before entering the market and setting up the office gave Acergy a somewhat head start. Pro-Dive contributed among other by doing marketing work prior to Acergy's entry. This way the Acergy name was known in the local market before Acergy arrived in Canada. When the work started with setting up the office in early 2007 Acergy was able to use Pro-Dive resources and local knowledge to make the start-up process easier.

During our visits to Acergy's office in St. John's the close work between Acergy and Pro-Dive was easy to see. One of the most obvious ways confirming this was the shared office spaces in Pro-Dive's buildings in Donovans Industrial Park just outside of St. John's. We also noticed the cooperation between Acergy and Pro-Dive employees. Pro-Dive employees are today doing all of the administration, local finance administration and human resource, work for Acergy in St. John's. Of course this could have been outsourced or Acergy could have hired and trained a new employee to do this work, but they would have lost some of the flexibility and expertise that they now have. As pointed out earlier many small problems, like being unable to get credit at Staples, made it more practical to enter into an alliance instead of having to deal with the problems as they occurred.

Simon Hume also points to the fact that before he was moved from Stavanger to St. John's, Pro-Dive handled all local Acergy work and they still play an important role in Acergy's marketing towards the local market place. On a direct question if it would have been possible to set-up the office without Pro-Dive's help Simon Hume answered that: *"Yes sure it would have been possible ..., but would it have been as successful? I don't think so!"*

This shows that the alliance played an important role in Acergy's entry into the Canadian market. The alliance also makes Acergy Canada a more "Canadian" business than what would have been possible without the alliance and thereby meeting one of Acergy's key values to be locally sensitive. Pro-Dive's outcome of the alliance is, beyond the obvious of charging

Acergy for their services, to get more recognition for themselves as well as potential future growth and projects with Acergy. The official alliance will be running for three years, after that Acergy will hopefully be capable of running their own office without help from Pro-Dive. The first step towards this will be taken in April, when Acergy is moving away from Donovans Industrial Park and into an office building in the middle of downtown St. John's. Simon Hume thinks that there still will be some sort of cooperation between the two companies, even though the alliance is formally ending in 2009. This is made even more likely when taking into consideration that Pro-Dive will be one of Acergy's natural suppliers of divers and ROV operations in the local market.

5. Analysis of data

5.1 Entrepreneurship

We have chosen to divide the empirical part in our thesis into two main directions. We follow the structure we used in our literature review by first discussing the entrepreneurial aspects of the start-up in St. John's. We then move over to an analysis of the strategic alliances, trying to find a connection between real life relationships and the literature. To sum up the analysis we have used the Wickham model of the entrepreneurial process, discussing how Acergy have taken an opportunity and turned it into an independent organization in the Canadian oil and gas market. It is important to notice that we use the entrepreneurial process in two different settings in our thesis:

- We use it in the analysis when discussing theory.
- We use it when explaining the outlay of the thesis.

5.1.1 Entrepreneurship

Penrose (1963) defined an entrepreneurial activity to involve the identification of an opportunity within the economic system. Gartner (1988) on the other hand argued that entrepreneurship is the creation of new organizations. The process of setting up the office in St. John's involves aspects from both the views mentioned above. The background for the Acergy expansion into Canada is what the company considers an opportunity. Acergy believes that the offshore industry in the area around Newfoundland and further north will "take off" in the years to come. Even though most of the operations previous have been located further south, the company believes that this will change, mainly because of poor drilling results in the south, but also because of belief in the development in the north. In order to try and exploit this opportunity the company have decided to setup an engineering office in St. John's with the main objective to support the region and of course the Acergy group.

When looking at Sathe's (2003) definition in the theory chapter he defines any new operation that is either in a new market or with a new product as a new business and those new operations would therefore be entrepreneurial (see figure 1). Acergy's entry into Canada cannot be called a new product since their main areas of operation is most likely to be SURF and IMR work. If we can call the market for a "new market" depends on how literally we are

to interpret Sathe's definition. We know that Acergy have operated on smaller projects in Canada before, but to call the establishment of an office in St. John's for a market extension would be an underestimation of the set-up process. So we think the most correct approach would be to call Acergy's market entry into Canada as a new market entry, and the set-up process is therefore entrepreneurial according to Sathe's definition.

When one person within an existing organization is taking responsibility for turning an idea into profit using entrepreneurship we have what Pinchot (1985) calls an intrapreneur. In Acergy's case Simon Hume has more in common with an intrapreneur than an entrepreneur. We can therefore conclude that after using Penrose, Gartner, Sathe and Pinchot's definitions that Acergy's set-up process is entrepreneurial and that it is led by an intrapreneur.

5.1.2 Process of setting up the office

We have in the case description of the thesis described why Acergy has chosen to setup an office in St. John's. We have also mentioned important dates in the moving process; beginning with the initial kick-off meeting in Norway in January 2007, recruitment process starting in June 2007 and finally status at the office as of March 2008. In this part of the thesis we will go deeper into the setup process, explaining important factors both prior to and after Acergy's arrival in Canada.

Documents we have received from Acergy, dated prior to the office setup (Feb. 2007), gives us a summary of the emphasized issues (Acergy, 2007b):

- Local content will be a key success factor.
- Reputation is important – small town.
- Start up can be in conjunction with Pro-Dive.
- Experience has shown that a process can grow and take significant time, need to be a slick process to attract.
- Local contact needs to be appointed up to permanent assignment.
- Require professional registration to operate in Canada.
- Nova Scotia should be a focus for recruitment, applicants already proposed.
- Need to dedicate resources to the project.

Over a year has passed, since the issues above were presented in the setup summary we received. In light of what we presently know about the setup process, we see that most of these issues are necessary to include. Local content is a key success factor as Acergy still believes that staying close to the market will benefit them in the years to come. Networking is currently one of the main tasks at the office. When we visited St. John's in Feb. – March, the office was setting up a group supplier listing.

“An important aspect is to develop a general understanding among the suppliers that their products and services will be required.” – Paul Reid, Engineering Manager.

Besides confirming that local content is important, the statement presented above also highlights the need for local contacts to be appointed to permanent assignments. Acergy has to make their clients believe that there will be business between them.

“Establishing a trustworthy image among clients, local governments, banks, etc... have been very difficult!” – Simon Hume, General Manager.

Getting a good reputation is not done over night. It is however something Acergy in Canada continuously is working for. Along with experience and market knowledge, getting a good reputation is one of the processes that may require a significant amount of time. Another example that confirms this last issue of time use is that almost a year has passed since Acergy moved in to temporary offices in the buildings belonging to Pro-Dive, but the office is not yet fully operational.

Discussing the issues above further, Acergy decided to enter into a three year alliance agreement with Pro-Dive. By doing so, Acergy secured important resources to the setup as Pro-Dive contribute with market knowledge, provide office spaces and gives assistance in setting up the administration. Pro-Dive is extremely positive to the alliance. It is important to mention that the resources dedicated to the project, should be considered long term investments as it may take a while before the office starts to produce income.

We have earlier explained the issue concerning registration of Acergy in Canada. We will not repeat all the details here. The short version is however that the company is registered in Nova Scotia, even though they focus their operations towards the Newfoundland area and further

north. Because of legal implications, registration in Nova Scotia is beneficial as a registration in Newfoundland and Labrador require that the company has a Canadian represented in the board of directors.

Of the issues listed above, we find only one that does not fit with the setup process as we know it, “*Nova Scotia should be a focus for recruitment*”. As mentioned several places before, the recruitment issue is one of the reasons behind choosing St. John’s, Newfoundland and Labrador, as a location for an office in the first place. Due to the Memorial University in St. John’s, Acergy is able to attract qualified engineers. One of the key retention factors in setting up the office is to be able to offer local work to Canadians.

In March 2007 Acergy arranged an “Office Kick-Off Meeting” in Canada. Outcome of the meeting were the following objectives for the new office (Acergy, 2007c):

- Have established an Acergy presence in St. John’s by mid-2007.
- Employ local engineering manager and build an engineering team.
- Employ 20 engineers by the end of 2007.
- Have systems and facilities in place to be able to execute NEC work in St. John’s.
- Be in a position to be able to execute projects from the St. John’s office in 2008.

From the case description one can see that the objectives above have been reached or are in the process of being reached. The first three objectives have been reached; temporary office buildings were in place in the beginning of June 2007 and the recruitment process started, the engineering manager, Paul Reid, were hired in August 2007, and a team consisting of 20 engineers in addition to the general manager were in place by the end of 2007.

The objective surrounding having systems and facilities in place to execute NEC work in St. John’s is about to be reached. The engineering team is in place, they are basically just waiting to be assigned to projects. While they are waiting, some of the engineers have been sent away to assist the Acergy Group on projects in other parts of the world. Sharing office buildings with Pro-Dive has resulted in limited capacity in regards to space. This has been resolved as they moved into their new office in down town St. John’s in April 2008.

Despite the fact that the office has just moved and might require a certain period for administrative tasks, we feel that the office is well on their way in being able to execute projects from St. John's. This objective has however been redefined, it now has to be reached by the end of 2008. Other objectives in 2008 are (Acergy, 2008e):

- Tender 2-3 projects through the St. John's office.
- Provide engineering support to local projects won through NEC.
- Provide ongoing engineering support to other regions.
- Undertake supplier evaluation in Atlantic Canada.

Common for the objectives above are that they are ongoing processes. The St. John's office is continuously considering potential business areas, and at the same time building relationships which, in turn, will help them succeed. As an example of providing support to local projects won through NEC, the office is currently hiring engineers for the Deep Panuke project which will commence in 2009. The office provides support to other divisions of NEC by sending engineers away on other projects. Engineers hired by the St. John's office are currently supporting projects run out of the offices in Rio de Janeiro, Houston, Stavanger and Aberdeen. As we also have mentioned previously, supplier listing was taking place when we visited St. John's in Feb. – March.

5.1.3 Obstacles and implications

We got the impression that there have been few major obstacles when setting up the office. Paul Reid, the Engineering Manager and the first employee to be hired out of the new office, answered the following on a question regarding the progress of the office: *"I believe the start-up has run smoothly, even though Simon might not entirely agree. I think it has gone really well. Operations are according to the planned schedule, it might even be ahead of plans because of the Deep Panuke Project."* Acergy has, as we have mentioned in the case description, been awarded a \$195 million EPIC contract from EnCana Corporation for offshore installation of SURF work on the Deep Panuke field located offshore Halifax, Nova Scotia (Acergy, 2008d).

In our interview with Simon Hume, especially two issues were highlighted and regarded as very difficult. The first issue involves establishing a trustworthy image among clients, local

government, banks and suppliers. The second issue mentioned is that it is hard to stay close to the Acergy Group, incorporating Acergy values and culture into the new organization. Johanson and Vahlne (2003) states that a firm only by doing business in a specific country can learn how customers, intermediaries, competitors and public authorities act and react in different situations. It takes time to develop foreign business skills and the knowledge is associated with the specific situations and contexts in which they are developed. Even though Acergy has experienced many successful expansions in the past, the same understanding of the Canadian oil and gas market may not apply in this case. The most likely approach to this subject is for the office to use the time required to build up the company name.

The other issue mentioned above is the difficulty of making the people in Acergy's office in St. John's feel as a part of the Acergy Group. As they are setting up a whole new operation with faces mostly new to the company, it has been hard for them to interact with their co-workers on the other side of the Atlantic. Reasons for this are differences related to both location and time. The office in St. John's is currently 3,5-4,5 hours ahead of the time in their offices in Norway and Scotland, this makes it hard for the offices to interact as the working day between them is reduced. As a result, one of the steps undertaken to reduce the barriers of interactions have been to send some of the engineers recruited in St. John's away to support other projects and at the same time learn about the Acergy organisation. As Simon pointed out for us: *"There have actually been pretty slow months so far, without much for the employees to do. The future however seems bright, mainly because of the new contract the company just recently has won."*

At the time when we were conducting our research as much as 7 of the engineers recruited in St. John's were supporting Acergy operations and projects in other parts of the world. Common for all of them are that they have roots in the Newfoundland area, and are to return to the office in St. John's once it is operational. Of the 21 people hired by the office, 15 had begun working, while 6 are to begin. This confirms what Simon mentioned above, that there had not been a lot for the engineers to do.

Other obstacles mentioned are implications in regards to the fact that there are mostly faces new to the organization, there are always unexpected elements occurring, legal issues and of course obstacles that may occur once the office is up and running. There will always be implications when dealing with a whole new staff, especially in a new market. Even though

Canada is considered being a developed country, Acergy still had to sort out issues, mainly regarding salary, prior to their first employment in St. John's. Issues regarding salary involves offshore allowance, pension, dental, medical insurance coverage, flexitime, paid overtime and vacation days. The company also had to discuss and agree upon human resource policies in Canada (Acergy, 2008h).

Complication in setting up an IT-system in the Pro-Dive office building is an example of an unexpected obstacle. Another unexpected obstacle that has influenced the start-up process is that the company had to delay the movement into their new office building in down town St. John's because of asbestos. The company using these buildings had not moved out either. Before moving, all the asbestos had to be removed. Instead of moving into to the new office building in January 2008, the process was delayed four months and the office was moved on the 12th of May.

As an example of a legal implication, Simon mentioned that Acergy Canada is incorporated in Nova Scotia. The reason for this, as we have already described in the case description, is that the company by choosing this approach, do not need to have a Canadian sitting in the board of the company. In terms of obstacles and implications that are not faced yet, but may occur once the office is fully operational, may be differences in culture in lights of the environment compared to other parts of the world.

5.1.4 The entrepreneurial process

Timmons and Spinelli (2007) look at the entrepreneurial process as highly dynamic with a number of driving forces. We have already described these driving forces in the literature review, in this part of the thesis we will discuss their relevance in regards to our case.

We have, earlier in the analysis, already established that the process of setting up an office in St. John's is opportunity driven. Acergy believes that there will be a lot of future business in the area, and have taken measures in order to be ready for this. "*We believe in industry growth in the years to come.*" - Simon Hume, General Manager.

A good entrepreneurial skill is to quickly be able to determine whether serious potential exists, and decide on how much time and effort to invest (Timmons and Spinelli, 2007). It seems clear to us that Acergy are really committed in following up the opportunity. Even

though they can determine the potential in the area, there is no way of knowing if the setup will be successful. As mentioned earlier, there have actually been slow months at the office, with little work for the engineers. The success of the setup is yet to be determined, and is not an aspect we have chosen to include in our thesis.

In the literature review we have stated that we build our understanding of the opportunity by first focusing on market readiness. Elements when evaluating market readiness are, as we have mentioned in the literature review; market demand, market structure and size, and finally margin analysis. In regards to market demand the opportunity involves an idea that Acergy's services will be needed in area. The general idea is also that clients would prefer doing business with companies in the Newfoundland area. By setting up the office in St. John's, Acergy is not only positioning for work in the Atlantic Canada region, they are also responding to the demands of potential future customers and clients. The company considers issues like government involvement, long term commitment and market reactions essential in regards to local content.

We have already, subconsciously, covered the element of market structure and size in the case description. Offshore production in Newfoundland have until recently been dominated by the Hibernia oil field. Supported by large deliveries by the Terra Nova and White Rose fields, the oil production in the Newfoundland area reached an all-time high in 2007. If we combine this with the facts that there is now projects developing on the Deep Panuke field off the coast of Nova, and that there is also possibilities of extracting gas on the Terra Nova and White Rose fields, the future for business in the area looks bright. Another important aspect is that Acergy already is established in the industry, it will be very difficult for a new global competitor to emerge from nowhere. Reasons for this are barriers such as capital need, market knowledge, engineering expertise, and gaining access to networks in the market.

When it comes to the element of margin analysis, we have not been able to access financial data surrounding the setup. We are also unable to determine what the expected outcome of the setup, in terms of revenue is. These are aspects that we early decided not to focus our attention on. It however seems to us that Acergy is making a comparably small investment, given what they potentially get in return. By setting up an office in St. John's, the potential for value added is enormous. Looking past numbers and figures, the setup adds value to the organization because:

- The company is able to attract qualified workers with roots in the Newfoundland area.
- They are getting access to market knowledge, through the alliance with Pro-Dive.
- They are able to stay close to potential clients.
- They have the opportunity to establish a trustworthy image in the market, while they at the same time are positioning in the market.

One of the first milestones in the planning process of setting up the office was to prepare a budget and to get this budget approved. This activity took place in the middle of March 2007, meaning that the budget had to be approved before moving to St. John's (Acergy, 2007h). Thinking about money first is by Timmons and Spinelli (2007) considered being a big mistake. The money should follow potential opportunities conceived of and led by a strong management team. We do not believe that Acergy emphasized too much on the financial part of the setup. We further believe other resources such as qualified workers and relationships are more important. The financial aspect of setting up a, to begin with, relatively small engineering office, is a comparably small part of what the company invest in the NEC region. The future income of the setup, is however potentially very high. The reason, why we believe Acergy focus more on resources such as qualified workers and relationships, is what we already have described as local content. The company wants to be situated close to the market in order to establish trust among clients, local government, banks, etc. When speaking of resources, it all comes down to what Acergy emphasizes on. What is more important, money or market knowledge?

There is a reason why we use the term "believe" several places in the paragraph above. It is important to notice that these are assumptions we make on our own, based on the view we have of Acergy and information we have collected in regards to the setup.

Identifying the person who actually spotted the opportunity in the Canadian market is not an easy task. Not even the General Manager knows all the persons that have been involved in the actual planning process of setting up the office. We will however settle with the fact that moving into the Canadian oil and gas industry is an organizational decision. Our view, not only from this project, but also from previous assignments concerning multinational companies, is that everyone, no matter what position, has someone they need to report to.

Even if Simon Hume does not fit the correct definition of an entrepreneur, he is the one given the responsibility of building an engineering team in St. John's.

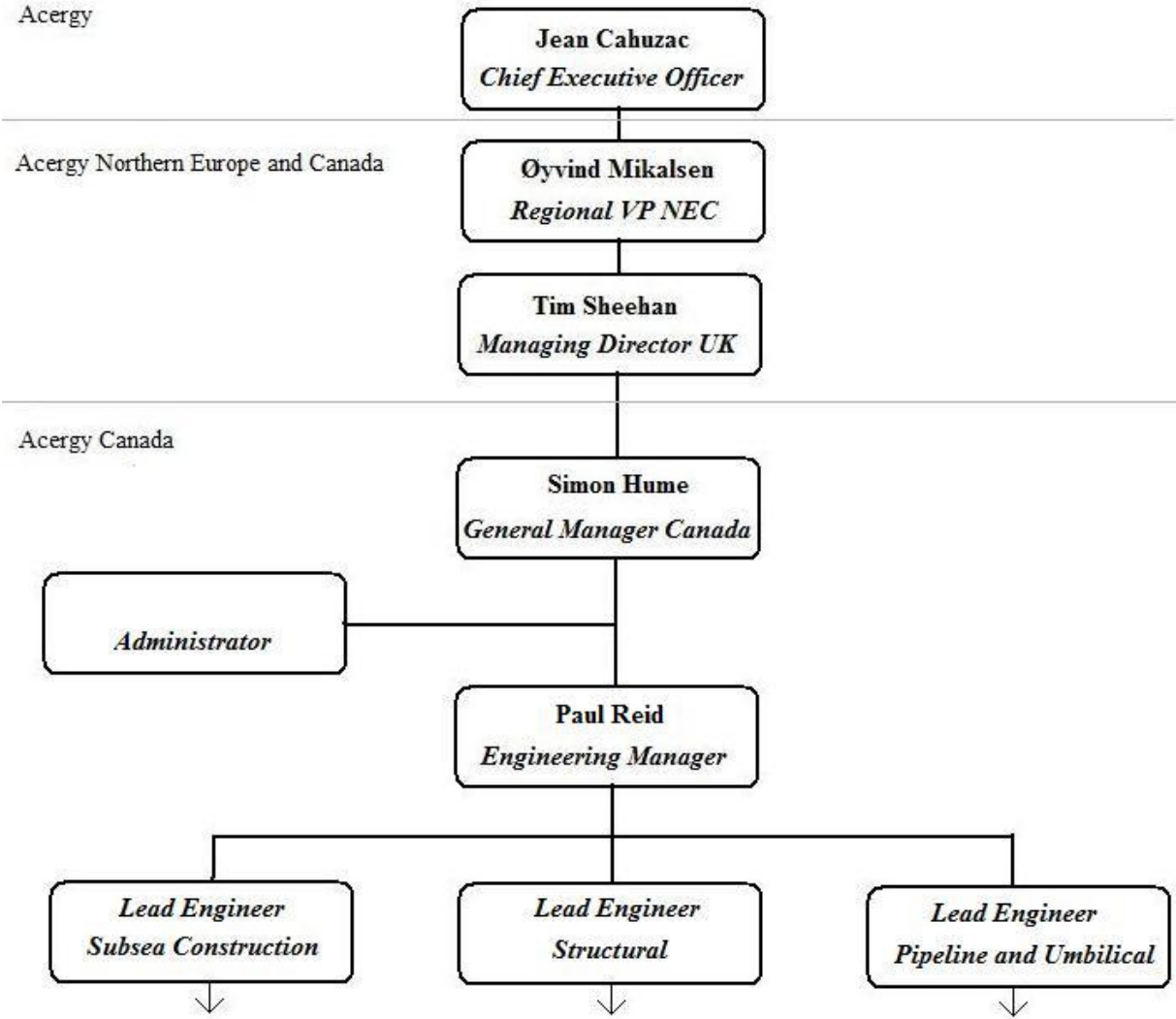


Figure 14: Organizational chart, entrepreneurial team.

We do, unfortunately, not know neither Simon Hume nor his team of engineers well enough to judge them using all the characteristics put forward by Timmons and Spinelli that an entrepreneurial leader and his team should possess. We are however able to point some resublines using the data we have collected and comparing it to theory. Starting with the entrepreneurial leader Simon Hume, even though he is not the initial entrepreneur, his job is to make the office ready for operations. This fit with the literature description that the entrepreneurial leader builds entrepreneurial culture and organization (Timmons & Spinelli,

2007). In order to do so he must create a whole new organization; recruiting engineers and at the same time maintaining Acergy values. Implications here are, as mentioned above, establishing a trustworthy image among clients, local government, banks and suppliers, and also that it is hard to stay close to the Acergy Group. These implications fit the characteristics that an entrepreneurial leader should be able to learn and deal with adversity. As the only person in the new organization with earlier connection to Acergy, he is also responsible to incorporate Acergy values into the new organization. From the figure above we can also see that Simon have come a long way in setting up his entrepreneurial team. The reason why we do not assign names to the different positions in the figure is that we do not feel the need to reveal unnecessary information.

In the case description of the thesis, we present the organization chart of the setup as it was presented to us in the beginning of March 2008. When combining this with the figure we present later in the thesis regarding Acergy Canada relationships, we feel that we have the organizational aspects of the setup covered. Wickham (2004) argue that in order to supply innovation to the market, the activities of a number of different people must be coordinated. The fact that current thinking on entrepreneurial organizations tends not to draw a hard and fast distinction between those inside the organization and those who are on the outside, make us especially aware that we need to think organization in terms of relationships and networks as well.

The last issue included in the literature surrounding the entrepreneurial process, is the concept of fit and balance between the different driving forces. The entrepreneurial process of setting up the office in St. John's is still an ongoing process. Us not knowing everything surrounding the different driving forces can also mean that not even the entrepreneurial team in St. John's knows all the aspects yet. Pitfalls the office may encounter might be; that the relationship to Pro-Dive changes as the companies do not share office buildings anymore, obstacles in completing the newly won contract on the Deep Panuke field, is it possible that they entered to early or too late, or will they meet problems in regards to recruiting enough qualified engineers as others companies as well might see potential in the area.

5.1.5 International Entrepreneurship

We have already argued that the start-up in St. John's is to be considered an entrepreneurial activity. In this part of the analysis we will discuss the international aspects of the start-up. What are the reasons behind Acergy's decision of setting up a new operation in Canada?

By looking at the McDougall and Oviatt (2000) definition of international entrepreneurship we find it easy to argue that Acergy's expansion into the Canadian oil and gas market should be regarded as international entrepreneurship: "*The combination of innovative, proactive and risk seeking behaviour that crosses national borders and is intended to create value in organization*" McDougall & Oviatt (2000) (Reproduced in Dana 2004). Firstly, the setup of the St. John's office crosses national borders and is intended to create value for the Acergy organisation. Secondly, the setup has elements of innovativeness and proactive behaviour. Acergy now feel that it is necessary to be close to the market, in order to be so they have decided to setup an office in St. John's. Thirdly, and finally, the process of setting up the office may be considered risk seeking behaviour as the company is uncertain in regards to how much work there will be in the region.

Dana (2004) points to ten factors as to why independent organizations internationalize. Usually a combination of the ten factors are used in explaining why a firm goes international, this is also the case when explaining why Acergy has decided to establish an office in Canada. Out of the ten factors mentioned and described by Dana (2004), we have selected seven in explaining why Acergy has chosen to setup an office in St. John's:

1. The firm growth process: *The organization need to go international to achieve its goals of continues growth.*

Acergy's vision is; "*to be the acknowledged leader in seabed-to-surface engineering and construction.*" (Acergy, 2008b) The company operates worldwide and has established itself as a trusted partner, able to deliver complex, integrated projects in harsh and challenging environments. In order to maintain their position, the organisation needs to follow their projects and expand to new areas when needed. Acergy predict that there will be a lot of business in the Newfoundland and Labrador area in the years to come. By setting up an office in St. John's now, the company is preparing for business to come.

2. Organizational learning and acquisition of knowledge: *The organization needs to go international to be able to access the knowledge needed, or learn from organizations not represented in their home country.*

As explained earlier, one of the main reasons for setting up the office in St. John's is to exploit the advantages of being locally situated. The strategic alliance with Pro-Dive provides the company with market knowledge, that they will not have had if they had decided to enter alone. As time passes the operations in Canada will continue to increase Acergy's market knowledge.

3. Networks and organizational linkage: *The organization goes international either because of a new linkage to an international organization or because of a linkage to another organization that goes international.*

We are not able to determine if there is one specific linkage that made Acergy enter Canada. There are however a number of relationships that will have had an impact on this decision. Firstly, Acergy follow their projects. Acergy have been involved in projects in Canada in the past, and are hoping for more business in the future. Acergy secondly believe that companies in Canada mainly want to do business with companies situated in Canada, and has therefore decided to setup an office to avoid being viewed as an outsider. Thirdly, and finally, the Acergy setup in Canada is done to develop relationships which again make the company ready for more business in the area.

4. Resource availability: *The organization goes international to be able to access resources needed; these resources can be raw material, labour, production facilities, etc.*

Through the alliance with Pro-Dive, Acergy is getting help in setting up a local administration and they also have access to office spaces. The access to market knowledge is another resource available to the company after entering Canada. As we mentioned earlier in this chapter, it takes time to develop foreign business skills and the knowledge is associated with the specific situations and contexts in which they are developed. The company can only by doing business in a specific country, learn how customers, intermediaries, competitors and public authorities act and react in different situations. The most important resource that has been made available to Acergy when entering Canada is the locally recruited engineers. A cooperating agreement between Acergy and Memorial University gives students an opportunity for internships in Acergy, which also gives them an insight into what Acergy does. Acergy, in turn, hope to recruit qualified engineers.

5. Market imperfection and competitive advantage: *Opportunity for the organization outside the original market. An organization with a competitive advantage that is possible to transfer to new markets can use its competitive advantage to enter new markets.*

The Acergy Group is known for its operations all over the world. This makes it easier for the company to expand their business into new areas. Even though the name Acergy only have been in use for a few years, the company has been involved in the oil and gas industry since the 1970s. As a result they have managed to build up a reputation as a trustworthy and reliable partner. One of the biggest advantages for Acergy is that they do not rely on business solely from one area of expertise. In Acergy there are four main business areas that contribute to the company revenue.

6. Locational advantage: *The organization goes international to move closer to either its resources or markets.*

This factor sort of explains itself, using what we have written on the factors above. Acergy have chosen to enter Canada because they see an opportunity in the Canadian oil and gas market. To exploit this opportunity the company has realized that they need to be represented locally. By setting up an office in St. John's, resources such as labour and market knowledge becomes available.

7. Transaction costs: *The organization goes international to reduce its transaction costs.*

This factor actually does not apply at the moment, as there are no projects running from the office in St. John's. The office thereby does not create any income. The idea is however that the company will benefit from the investment in the future, as they highly believe in business in the Newfoundland and Labrador area. Transactions costs will hopefully be reduced considerable as the St. John's office is situated close to most of the potential new projects. Just imagine the benefits by running a project in Newfoundland from St. John's compared to running it from one of the Acergy offices in Norway, Scotland or US.

Welch and Welch (2004) argue that inter-firm networks have come to be considered as an important part of the change process and gaining access to foreign market networks is seen as a key factor. Based on this view, we will continue our analysis discussing the business relationship and networks in relation to our case.

5.1.6 Business Relationships and Networks

There is little doubt that relationships and networks play an important role in the early internationalization process of setting up the office in St. John's. Johanson and Vahlne (2003) argue that a focus on business network relationships gives firms a solid platform before entering other country markets. This is also the case in Acergy's expansion into the Canadian oil and gas market. The Terra Nova project was Acergy's first major project in Canada, executed in 2006. The client in this project was Petro-Canada and the job involved IMR and SURF work. The project is considered a success, with a great completion by Acergy. This provides Acergy with a good reputation to build on when setting up operations in Canada.

The implemented theory suggest that one from a network perspective can assume that firms are engaged in a set of close business relationships with important clients, suppliers, and other business partners, and that markets are structured as networks of interconnected business relationships. From what we have learned about Acergy's setup in St. John's, this view fits very well. We believe the setup has been possible based on the facts that the Acergy Group has a good reputation in the industry, combined with close relationships in St. John's such as the alliance with Pro-Dive and the cooperation with Memorial University. We also consider the oil and gas industry to be an unbounded business network, where all the firms are somehow connected to each other. One of the reasons for this view is that oil and gas industry usually have more than one subcontractor working on each project, giving the different actors the opportunity interact with each other.

Research conducted by Håkansson (1982) and Ford (2002) points to the importance of lasting relationships between firms doing business with each other. It takes time and resources to build relationships, which again Acergy can relate to as they have experienced difficulties in establishing a trustworthy image in St. John's. All firms are according to these researchers, engaged in a limited set of business relationships with important customer and supplier firms, which again, have relationships with other firms. We have presented Acergy Canada's relationships in a figure below:

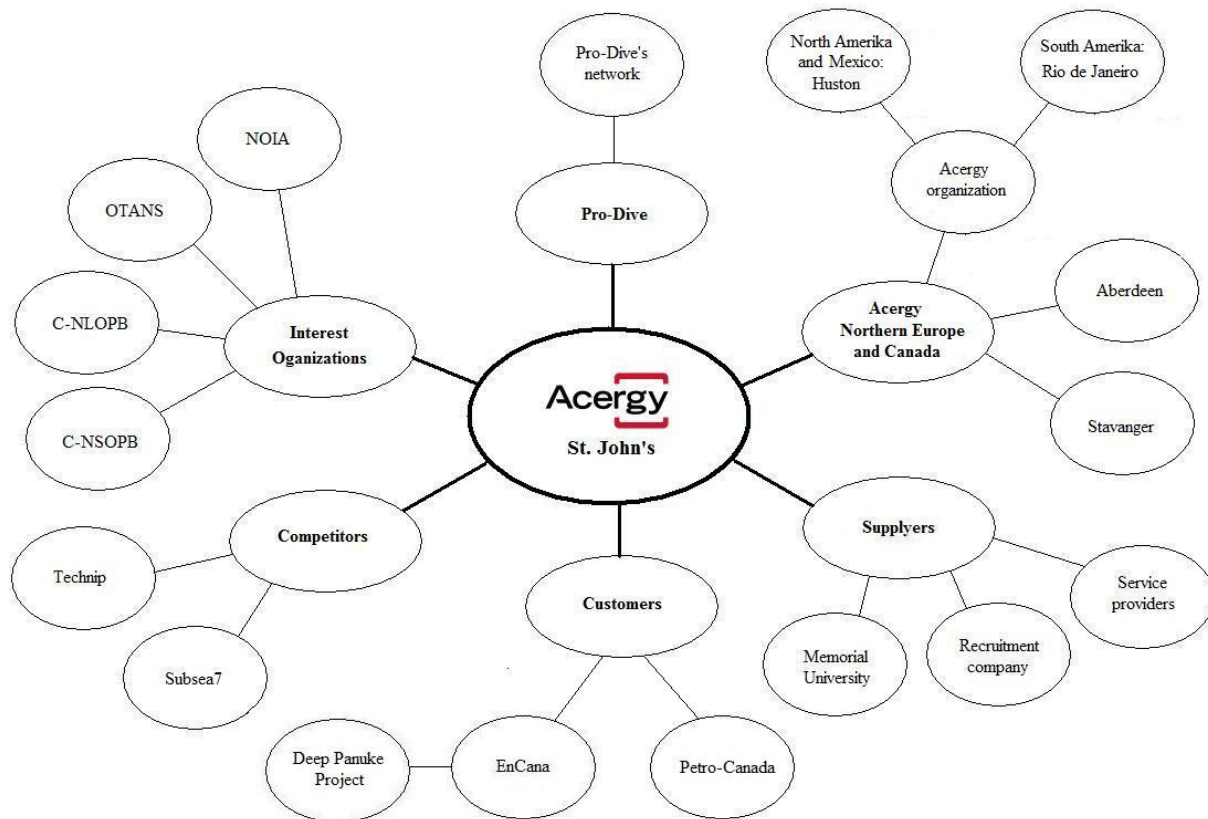


Figure 15: Key relationships in Canada

One of the key relationships that Acergy Canada has is the relationship with Pro-Dive. We have already mentioned this relationship in the case description and we have discussed it further in the strategic alliance chapter. In this part we look at the relationship as a key ingredient in explaining Acergy's internationalization process using the U-model. As the model explains; lack of market knowledge is seen as the main obstacle to internationalization. The alliance with Pro-Dive is (as explained in the strategic alliance analysis) mainly there to give Acergy the market knowledge they are missing. According to the described literature regarding networks and relationships, knowledge can only be acquired by doing business in the market, and this is the key point behind the alliance with Pro-Dive. Acergy have recognized that no second hand data or survey can generate this knowledge, and the start-up process will be unnecessary hard without market knowledge. The best thing for Acergy to do is to get access to the needed market knowledge through cooperation with someone that already operates in the market, here Pro-Dive. Their relationship with Pro-Dive also helps Acergy to reduce the physic distance to the new market, in addition Acergy can include Pro-Dive's network into their own network.

Theory further separate the market knowledge into two parts; market specific experience and operation experience. The market specific experience is generated by doing business in Canada with help from Pro-Dive. The operation experience leads us to another, and perhaps the most important, relationship that Acergy Canada has; the rest of the Acergy organization. Looking at the Acergy's office in St. John's only Simon Hume has a prior connection to Acergy, the rest of the employees have never worked in Acergy. This has as we have pointed out previously, made it hard for the engineers working in St. John's to feel that they are a part of the Acergy Group.

"We are in the middle of nowhere, and if you look at timings we are 19 to 24 hours away from Aberdeen and Stavanger in travel time. And the time zone is not too bad on paper, but 3.5 – 4.5 hour cuts your days down, it cuts the interface time with Aberdeen and Stavanger down." – Simon Hume, General Manager.

One of the problems with being so far away from Europe is that the local finance is not handled in St. John's, but in Stavanger and partly in Aberdeen. In addition many of the human resources that are meant to support Simon Hume in the start-up process, is located in Stavanger and Aberdeen. The long travel time makes it difficult for these resources to visit St. John's. To better cope with the large distances and to reduce the cultural gap between Acergy Canada and the rest of Acergy, some of the engineers that have been recruited in St. John's have been temporarily transferred to other parts of Acergy. This increases the interaction between Acergy Canada and the rest of Acergy, and particularly the offices in Rio de Janeiro, Houston, Aberdeen and Stavanger which currently have engineers from St. John's working there. When the office is fully operational and running projects they will also get an interface with Acergy's vessels. So combining the market specific knowledge from Pro-Dive with the operational knowledge of the rest of Acergy, Acergy Canada has found a way to reduce one of the main obstacles that slow internationalization down according to the U-model.

When we first asked Simon Hume to describe the different relationships that Acergy Canada has, we had already discussed their relationship with Pro-Dive and the rest of the Acergy organization; *"We have some of the softer relationships; there's the Board, the C-NLOPB, that regulates the whole industry, so if we were operational now we would have to satisfy the board. ... Then there is NOIA and OTANS, which are the local organizations for the industry.*

They are people that lobby's for the industry, they promote the industry, they bring the industry together and they organize a lot of the industry events."

C-NLOPB, C-NSOPB, NOIA and OTANS are different interest organizations in Newfoundland, Labrador and Nova Scotia. The relationships that Acergy in St. John's have with these organizations are important, and building strong relationships might be the difference between failing and succeeding in Canada. A well functional relationship with C-NLOPB and C-NSOPB will allow Acergy to run their projects according to government plans and with a minimum of delays due to interference from the government. And by being represented in NOIA and OTANS Acergy can build their own reputation as a serious and trustworthy partner for businesses in the Atlantic Canada oil and gas industry, and thereby attract more projects.

Also included in the figure are customers, suppliers and competitors. All of these are necessary and important relationships for any organization. In our figure we include some of the most important organizations that the St. John's office have a relationship with. On the customers side we have included EnCana and Petro-Canada. EnCana is the operator on the Deep Panuke field, while Petro-Canada was Acergy's client on their first project in Canada, the Terra Nova project. The lower part of the figure will be constantly growing and when the alliance with Pro-Dive ends in the end of 2009 the box in the top of our figure (Pro-Dive's network) should have been distributed down to the customers, suppliers and competitors. One of the weaknesses of our figure is that it does not show the interconnections between the different boxes, if all the connections were to be included the figure would be incalculable. Especially the middle and left side of our figure are dominated by relationships and as we have said earlier the number of alliances, interest organizations and customer/supplier relationships dominates the oil and gas industry. This is the reason why it is really important to maintain a good relationship with the other actors in the industry.

5.2 Strategic alliances

In this part of the thesis we will use what we know from theory, primary and secondary data to categorize the Pro-Dive Acergy alliance.

5.2.1 Introduction to the alliance

We have already several times in this thesis called the cooperation between Acergy and Pro-Dive an alliance without comparing the actual cooperation with the definition that we gave in the beginning of the theory on strategic alliances. The definition said that for a cooperation to be called a strategic alliance is has to be a “*collaborative organisational arrangements that use resources and/or governance structures from more than one existing organisation*” (Rugman & Brewer, 2001). Knowing that there is a collaborative agreement between Acergy and Pro-Dive where Pro-Dive are investing human resources and Acergy are investing capital, we can safely continue to call the cooperation a strategic alliance.

Rugman and Brewer (2001) also discuss three important characteristics of a strategic alliance. The first characteristic is that the firms partnering remain independent subsequent to the formation of the alliance. We know that Acergy and Pro-Dive will both still exist after the formation of the alliance. We also asked Simon Hume, Paul Reid and Heather King if they think both Acergy and Pro-Dive will continue to exist after the end of the alliance. None of them can see any reason why both companies should not continue to operate as independent companies. The first characteristic is therefore true for the Pro-Dive Acergy alliance. The second characteristic is that the alliance possesses the feature of ongoing mutual interdependence, in which one party is vulnerable to the other. There is now doubt that this characteristic also can be applied to the alliance since the alliance would cease to exist if either Acergy or Pro-Dive withdraw from the alliance. The third characteristic of a strategic alliance is the uncertainty surrounding what can be expected of the other partners. The formal agreement between Acergy and Pro-Dive are meant to reduce the uncertainty of what the partners can expect from each other, but this uncertainty cannot be completely eliminated. Between two companies like Acergy and Pro-Dive that do not have a long history of cooperation, there will always be some uncertainty as to what the other partner is bringing into the alliance. We can therefore conclude that the Pro-Dive Acergy alliance fits into the definition and have all the characteristics of a strategic alliance.

5.2.2 What is the motive behind the alliance?

Lorange and Roos (1992) have one more characteristic on a strategic alliance that they think is fundamental; the willingness to invest in the relationship. We know from the interviews that both Acergy and Pro-Dive are entering this alliance because they see the alliance as positive. The willingness to invest in the alliance and the relationship should therefore not be a problem. Simon Hume also commented that there is a potential for Acergy to use Pro-Dive's divers, ROV's and expertise in future projects. This should make it more interesting for both Pro-Dive and Acergy to invest in the relationship beyond the scope of the formal alliance.

Lorange and Roos (1992) give us a tool to more specifically define the motives behind entering the alliance. They have chosen to call this the generic motives for strategic alliances. There are two dimensions that we need to establish for both Acergy and Pro-Dive. The first is how strategically important the business is in the partners portfolio. For Acergy we know that their business is in the offshore industry, and that the NEC region (Northern Europe and Canada) is their second largest region (in terms of revenue). We also know that if we are to use Acergy's first contract in Canada as an indicator of what type of project they can expect in the future, they need to prepare for more SURF (Subsea, Umbilical, Risers and Flowlines) projects. SURF is Acergy's largest business section with 74% of the total revenue in 2007. With this information we definitely have to conclude that the alliance is of core strategic importance for Acergy in Canada. The other dimension is market position. As we have explained in the case description the market place is dominated by few large organizations, all of them diversified and specialized in their own business area. It is therefore difficult to compare one organization to another. According to Simon Hume Acergy see themselves as the leader in the seabed to surface engineering and construction market. Our brief review of the market place supports the statement that Acergy is one of the market leaders (if not the market leader). Putting these two dimensions together Acergy's motive behind the strategic alliance is, according to the framework developed by Lorange and Roos, to defend their market position.

We also need to see the same two dimensions from Pro-Dives perspective. We are first looking at the strategic importance of the alliance from Pro-Dive's perspective. For Pro-Dive this is not as easy to establish as it is in Acergy's situation. It will depend on how we define the work that Pro-Dive is doing for Acergy. We know that the projects Pro-Dive usually are working on, involves Pro-Dive engineering, diving and/or ROV capabilities. However, in this

case it is the market know-how and human resources of the administrative staff that is being challenged. This does not mean that we can just classify the alliance as peripheral for Pro-Dive. It is still a project that Pro-Dive is doing for a company in the oil and gas industry and there is the potential for looking at Pro-Dive's involvement in the alliance as a marketing strategy towards a potential new large customer. This view is backed up in the interview we made with Simon Hume in Acergy, when asked what he thinks Pro-Dive get out of the alliance he replies: *"There are synergies between what they do and what we do, we can use their people when we are operational, we can use some of their ROV capabilities and to use their local knowledge. They want more recognition for themselves, their looking to grow their business, and in the end of the day they are looking for money out of it."* This implies that even though the work being done by Pro-Dive is not similar to other projects they usually are involved in, the alliance is still involving the core business of Pro-Dive.

We also need to establish if Pro-Dive is to be recognized as market leader or follower. A quick search on Google confirms the impression we already had; there are several companies offering both ROV capabilities (Google, 2008a) and diving services (Google, 2008b) in Atlantic Canada. So even though we cannot call Pro-Dive a market leader in the ROV or diving market, we are still returning to the question as to what Pro-Dive's part of this alliance is. When defining it above we defined the alliance as involving the core business because of Pro-Dive's long term perspective of the alliance, but in the case of being market leader or follower we have to look at why Acergy chose Pro-Dive. To do this we are once again turning to the interview with Simon Hume, and this time the question is; why Pro-Dive? Were other companies considered? : *"Pro-Dive has been known to us (Acergy) for a number of years ... and it is my understanding that they were really the only real option for us."* So even though Pro-Dive might not be the market leader in the ROV and/or diving market, they are in this study considered to be market leader in the "market knowledge and human resource" market that Acergy is searching for an alliance partner in. We are by putting these two dimensions together in accordance to Lorange and Roos four generic motives, putting Pro-Dive on the borderline between "defend" and "remain".

So in the Pro-Dive Acergy alliance we have, according to Lorange and Roos, two different motives behind the alliance, Acergy's motive is to "defend" while Pro-Dive has a "defend/remain" perspective. If we look back at the theory the defender would normally have one of three reasons behind the alliance; access to markets, access to technology or to secure

its resources. And as we already have established in the case description, Acergy's reasons behind the alliance is to get easier market access. The theory also predicts that an organization having "defend" as its motive behind the alliance would often pair-up with a smaller entrepreneurial firm. Pro-Dive, when compared to Acergy, can be characterized as both smaller and more entrepreneurial. The firm is still run by the two entrepreneurs that started Pro-Dive 25 years ago.

If Pro-Dive's motives are going more towards "remaining" than "defending", Pro-Dive should, according to Lorange and Roos, see a strategic alliance as the best way to exploit its market leadership and thereby remain represented in the business segment. We have established that Pro-Dive's leadership is in "Acergy adapted market knowledge and human resources" and that Pro-Dive's business segment is ROV, diving, and engineering capabilities. Using these definitions we have to agree that the best way for Pro-Dive to exploit its (pre-alliance) relationship with Acergy is to make sure that Acergy chose Pro-Dive as alliance partner and not someone else. This will again strengthen Pro-Dive's position in their business segment by positioning themselves as Acergy's preferred partner in future ROV or diving projects. If we compare this analysis and what we know from the interview with Simon Hume to predictions in theory, there is a clear linkage. We can see this in the similarities between the two comments on Pro-Dive's motives made by Simon Hume and the theory on the generic motive: *"Pro-Dive wants more recognition for themselves and their looking to grow their business."*

5.2.3 Which archetype is the Pro-Dive Acergy alliance?

Just like we did when discussing the motives behind the alliance we now need to look at two different dimensions of the alliance, but this time we will not be separating Acergy and Pro-Dive. We will instead use the alliance as the object for our analysis. We are starting by looking at the input of resources to the alliance. According to the theory there are two different choices on how much resources that is to be put into the alliance: "Sufficient for short term operations" or "sufficient for long term operations". Lorange and Roos (1992) have then argued that sufficient for short term operations, equals to organizational resources, and sufficient for long term operations, equals to organizational and strategic resources. The resources applied by Acergy into the alliance are organizational in the form of capital. The resources that Pro-Dive puts into the alliance have already been defined as market knowledge and human resources. The market knowledge is definitely organizational resources, while

human resources might be both organizational and strategic resources. To determine which category the human resources fits into, we have to reveal what type of human resources that is being used. From what we learned from talking to Simon Hume and our observations, we know that Pro-Dive employees have been working as support staff for Acergy at the office in Donovans Industrial Park. We also have Simon Hume's comment that before Acergy arrived in St. John's Pro-Dive were representing and promoting Acergy. The last input of resources is the Acergy and Pro-Dive brand names. All of this are organizational resources and we have no indication that the resources applied by either Pro-Dive or Acergy would make the alliance able of taking independent strategic decisions, and thereby ruling out any strategic resources in the alliance.

To comment on retrieval of output from the alliance we first have to define what the output of the alliance is. To do this we simply asked Simon Hume what Acergy and Pro-Dive wants to get out of the alliance. On Acergy's behalf he thinks an easier market entry is the main outcome of the alliance, he exemplifies this: *"Pro-Dive is providing administration, local finance administration and HR administration. She (Heather King) can work a day or a week so this gives us a lot of flexibility ... We have used Pro-Dive to purchase things for us. ... They are doing some marketing for us ... using their Pro-Dive Acergy alliance business cards."*

On Pro-Dive's behalf we already know what Simon Hume thinks is the outcome of the alliance: *"They (Pro-Dive) want more recognition for themselves, their looking to grow their business, and in the end of the day they are looking for money out of it."* So now we know that there will be some extraction of resources from the alliance, but is there anything that indicates that there will be any resources that will be retained in the alliance. We know that the alliance has a three year perspective which indicates that all resources that are put into the alliance would be retrieved at, or before, this point. We asked Simon Hume what happens with the Pro-Dive Acergy alliance when the formal alliance ends: *"As long as we (Acergy) are operational here there will always be some form of alliance between us, we will try to maintain that."*

On a question regarding what kind of alliance he is expecting after the end of the formal alliance Simon Hume explains that he is thinking more of a project based work relationship between Acergy and Pro-Dive where the synergies between them can be exploited for a mutual benefit of both companies. We can therefore conclude that that all outputs of the

alliance will be sourced back to Acergy and Pro-Dive after the end of the formal alliance, and that there in the future is a possibility of a new formal alliance or project based cooperation.

When the resources only are sufficient for short term operations and all outputs of the alliance is sourced back to Acergy and Pro-Dive we have what Lorange and Roos (1992) calls an Ad-hoc pool alliance. According to the examples given in the theory chapter this might seem to be a miss-match with what we should expect. The example given in the theory for the Ad-hoc pool alliance is a short term chartering contract, while the example for the project based joint venture is to speed up a market entry. There are however no miss-match just a bad choice of examples, the market entry example is talking about two organizations going together to enter a new market that will be hard for both organizations to enter. We should instead look at the Pro-Dive Acergy alliance as a form of chartering contract where Acergy are “chartering” some of Pro-Dive’s human resources and market knowledge. We can also see that the description of the Ad-hoc pool alliance in Lorange and Roos (1992) also predicts that the alliance often is formed between at least one company that has defend as its main motive behind the alliance.

5.2.4 The initial phase of the alliance

We have now defined the alliance as an Ad-hoc pool alliance and the motives behind the alliance as defensive for Acergy and remaining/defensive for Pro-Dive. There is to some extent two different types of motives behind the alliance. If the differences between the motives were larger there could have been a problem, but in this case there are only minor differences and the motives should not be considered obstacles when finding a strategic match for the alliance. When finding a strategic match Lorange and Roos (1992) thinks each partner in the alliance should use the information found under the generic motives to answer three key questions for the alliance:

1. “What are the benefits from the alliance, not only for your own business, but also for your partner?”

We have already answered this question earlier; Acergy wants an easier market entry and Pro-Dive is trying to get more recognition for themselves, their looking to grow their business, and they are looking for money out of it. Other benefits from the alliance are the development of trust and mutual respect and understanding of the other partner in the alliance. This can be used if Acergy and Pro-Dive in the future are to work together. They will then have a greater

understanding of each other which they can use to speed up the initial and intensive phase in their next project. The development of a work contract will be a lot easier if the organizations are able to trust each other.

2. *“How can we complement each other in such a way that all partners will benefit from the alliance?”*

This question should not be a big obstacle in the Pro-Dive Acergy alliance since Acergy and Pro-Dive have two very different roles in the alliance. Pro-Dive is supplying market knowledge and human resources to the alliance, while Acergy are providing funding and the potential for future work. When retrieving the resources back from the alliance, Acergy will have grown their market knowledge and increased their human resources, while Pro-Dive have expanded their relationships in the market. They will hopefully both at the same time have made a profit from the alliance.

3. *“Are there differences in what the company sees as its core product, and will this influence the alliance in any way?”*

There are definitive differences in the core product of Acergy and Pro-Dive, but this should not influence the alliance negatively. It should rather be seen as strength for this alliance, it is the differences between what Acergy and Pro-Dive does that is the foundation of the alliance. If Acergy is searching for an alliance partner that is doing the same as they are, in the same market, they should have chosen Technip as its alliance partner. Choosing Technip as partner has the potential of leading to more problems than progress. Reason for this is the constant risk of revealing confidential and/or sensitive information to a competitor. Going all the way to the other extreme would have been to choose a company that is not involved in the oil and gas industry at all. They would then lose important market and industry knowledge. Using a company like Pro-Dive, that has the market knowledge and the contacts in the industry that Acergy needs without being a direct competitor, is close to an ideal situation. After the formal alliance ends in 2009 both partners will still be able to exploit the synergies between them, and the relationship they have built during the alliance may be useful in future and ongoing projects.

We asked Simon Hume, Paul Reid and Heather King if they think the alliance is a win – win situation and they all answer that they look at the alliance as a win situation for both Acergy and Pro-Dive. Even though theory suggest that there might be trouble finding a strategic

match in the Ad-hoc pool alliance due to differences in the generic motives we can see that this is not a big obstacle in the Pro-Dive Acergy alliance.

The second part of the initial phase is to get the stakeholders blessing for the alliance. For Acergy the main challenge was to get the stakeholders blessing to enter Canada, not to enter the alliance. As we have described in the case description timing has been seen as a big issue for Acergy. To finally enter Canada has been a long process that imaginably would have taken a lot of discussion between different stakeholders. After reading a lot about the organization in their “annual reports and accounts” and through communication with people in the organization, our impression of Acergy is that they are entering into different alliances as a preferred method of market entry/penetration. This should make the list of stakeholders that would have an interest in the alliance a short list, involving the management team of the NEC division as well as those directly involved in the start-up process.

From Pro-Dive’s point of view there might have been more reason to check for stakeholders blessing as Pro-Dive is a much smaller business and the alliance have a larger potential to change Pro-Dive’s organization. This is pointed out in the theory by Lorange and Roos as a fear from the smaller firm to be “swallowed” by the larger organization and thereby lose its independency. We asked Simon Hume if this was something that Pro-Dive should worry about: *“There not been any discussions related to that, and there are currently no plans for it (Pro-Dive) to be taken into Acergy. I would suspect that Pro-Dive would continue to exist as Pro-Dive. I can’t envisage any other future as we stand today.”* We also asked the same question the Heather King: *“I don’t see any reason why that should be an option.”*

The reactions and answers when we asked this question can only be interpreted; that neither Acergy nor Pro-Dive have discussed this issue or even see it as a potential outcome. Having eliminated the fear of being “swallowed” should make the decision easier for Pro-Dive. They are left with the task of convincing Pro-Dive’s internal stakeholders that the alliance is beneficial for Pro-Dive in regards to both finance and the possibility of future projects. Pro-Dive also have to consider the reaction of one external stakeholder, its customers. Is there a potential for loosing other customers if we work to close with Acergy? We know that at least one large competitor of Acergy is located in St. John’s; Technip, and that they might reconsider using Pro-Dive because of Pro-Dive’s relationship with Acergy. However, when we asked Heather King about Pro-Dive’s customers and other projects, we got an impression

of a much diversified business were single businesses do not seem to have a large influence on Pro-Dive, external stakeholders should therefore not be a problem convincing.

5.2.5 The intensive phase of the alliance

The intensive phase should use the information collected when finding the strategic match to form a strategic plan. A good way to structure the information would be through a SWOT analysis of the alliance.

Strengths:

- The alliance is combining the market knowledge and human resources of Pro-Dive with the industry knowledge and financial resources of Acergy to speed up Acergy's market entry.
- The alliance is setting up in an area where there is access to newly educated engineers as well as engineers with experience from the oil and gas industry, making the recruitment and selection of new employees to Acergy easier than what it could have been in Halifax.

Weaknesses:

- Even though Pro-Dive have some market knowledge and Acergy has the industry knowledge the alliance is missing out on the local industry knowledge that it could have had if Technip was part of the alliance.
- The differences between Acergy and Pro-Dive as organizations are massive, and this might make communication between them hard. The communication problems might be further enlarged if there is a miss match in business culture.

Opportunities:

- There are synergies between Acergy and Pro-Dive's businesses that can be used after the formal alliance ends. This might strengthen both businesses.

Threats:

- Acergy's entry into Canada have the potential of failing, this will make all the work put into the alliance futile from Acergy's perspective, and even though Pro-Dive will be paid for their work, they will not be able to exploit their connection with Acergy to grow their business.

- Both companies are giving the other partner in the alliance access to their internal work routines and when/if then alliance ends there is the potential of this information being used against the company.

After completing the SWOT analysis the business plan should continue with a description of what area the alliance is to cooperate in. The theory developed by Lorange and Roos points to three different examples where an alliance can cooperate. The Pro-Dive Acergy alliance does not fit with any of these examples. This alliance is combining the strengths of Acergy and Pro-Dive to strengthen Acergy's and Pro-Dive's organizations, and not (as in the example) the alliance. This alliance is a good example that "*strategic alliances should be strictly seen as a means to an end – not the end itself*" (Lorange and Roos, 1992, p. vi).

Theory suggests that there are four main ways in which the strength of an alliance can strengthen the organizations involved. It is possible to argue that the Pro-Dive Acergy alliance is strengthening the bargaining power towards suppliers, but this will only be valid against local suppliers where Acergy and Pro-Dive uses the same supplier. An example where they can use this is towards suppliers of office supply and similar. This will however not make an impact on either Acergy or Pro-Dive and should only be seen as a positive side effect of the alliance, not as an underlying explanation of the alliance. It is also possible argue that the alliance is making Acergy and Pro-Dive better at fulfilling customer needs. This is possible if Acergy and Pro-Dive exploits the synergies between them in future projects. This is however based in the future and (even though it might be one of the ways that Pro-Dive wants to use to expand their business) it should once again just be seen as a positive side effect of the alliance. The last of the examples that can be used to explain the alliance is that the size of the alliance can work as an entry barrier. We have in the market review described the market place as dominated by one or a few organizations, and we know that Technip was represented locally before Acergy's entry into the market. This will make the entry of a third organization working in the same business area unlikely and we will therefore for the third time say that this example can, at best, be used to explain one of the side effects of the alliance and not the underlying reason why there is an alliance. Perhaps the reason why the theory cannot explain this alliance is because of the special conditions and circumstances in which the alliance is formed. The alliance is an Ad-hoc pool alliance and does not have the resources or the time aspect of working as an individual unit, and we can therefore not explain the alliance using the effects of the alliance. Instead we have to look at what is behind the generic motives from

Acergy and Pro-Dive's perspective, and use that as explanations in how each business is strengthened by the alliance. This fits with what we earlier have described from theory under the formation of an Ad-hoc pool alliance, where cooperation based on market handling or technology can be difficult. The Ad-hoc pool alliance should therefore be based on resources like human resources and/or capital instead.

The second part of the intensive phase is internal support. The alliance has already gained the blessing from all the stakeholders (also the internal). However in the intensive phase the focus is on maintaining the support from all internal stakeholders. Theory discussed that there should be a balance between informing internal stakeholders to maintain the support already gained, and secrecy about the alliance to avoid leaking information to external sources. In the Pro-Dive Acergy alliance we have already in the "stakeholders blessing" discussion argued that this is foremost an issue for Pro-Dive, and this is still the case. During the planning phase of the alliance, none of the people presently working for Acergy in Canada were involved. There are only a handful of people in the Acergy organization that will be directly influenced by the alliance as well. In turn the need to inform about the progress of the alliance will be minimal and limited to the project group working on setting up the office in St. John's. Pro-Dive will to a larger extent be influenced by the alliance, but once again the people that needs to be updated on the progress of the alliance are limited to those who are directly influenced; support staff at the office in Donovan Industrial Park and those involved in the planning process. Before the alliance agreement was signed it was necessary to keep the progress and details surrounding the alliance on a need-to-know basis. The reason for this is that Pro-Dive adapts its work force in regards to available projects and there is therefore a risk of leaks to competitors that might have approached Acergy.

After establishing internal routines for information flow during the establishment of the alliance in Acergy and Pro-Dive the organizations also need to establish a good relationship between Acergy and Pro-Dive employees. According to the theory on the Ad-hoc pool alliance this should be done on a more personal level instead of on the legal level, this is due to the large differences between the organizations and the need to keep the smaller of the organizations feeling safe, sort of on top of the situation, instead of "drowning" them in legal documents. This relationship is made easier by the fact that one of the Acergy people that was involved in the planning of the alliance, Richard Gibson, has known Pro-Dive for 18 years or more (according to Simon Hume). Tim Sheehan, Sales and marketing director, who is the

person that Simon Hume reports to have also known Pro-Dive for several years and were also involved in the early process of setting up operations in St. John's, of course also in cooperation with Pro-Dive. Even though none of the current employees at Acergy's office have known Pro-Dive (at least not in an Acergy/Pro-Dive setting) the relationship can be based on trust and mutual respect. This process is future enlarged by the fact that Acergy and Pro-Dive were sharing office facilities in the early stages of the setup, giving both companies the possibility to get to know the persons involved on both sides of the alliance.

After ending the intensive phase the alliance is ready to start working together, the Pro-Dive Acergy alliance reached this point in November 2006 when the formal alliance was started. When the formal alliance ends in 2009 the goal of having Acergy's office in St. John's fully operational as a local company should be for filled and the connection to theory on the Ad-hoc alliance will once again have proven to be correct.

6. Conclusions

The purpose of this thesis is to investigate and analyze Acergy's start-up in St. John's and to find out if the Pro-Dive Acergy alliance has been beneficial to this start-up process. To be able to answer that question let us first clarify our research findings.

6.1 Research findings

There have for some time been plans to establish the office in Canada, but the timing has been seen as hard to determine. Acergy have been involved in projects in Canada before setting up the office. The first sign of Acergy operating in Canada is from a small project in 1999. In the 2003 version of the "Annual reports and accounts" Canada has been implemented in the European division of Acergy and the divisions changed its name to "Northern Europe and Canada – NEC". The first major project for Acergy in Canada was conducted in 2006 on the Terra Nova field.

We have according to our research problem investigated and analyzed Acergy's start-up in St. John's. We started analyzing the oil and gas industry and the market in the Atlantic Canada. We have found that there are seven main reasons why Acergy are entering Canada; firm growth, learning and acquisition of knowledge, network and organizational linkage, resource availability, market imperfection and competitive advantage, locational advantage, and transaction costs. The importance of each of these reasons varies, and the underlying reason why Acergy choose to establish an office is to get market access. This market access is focusing on two main aspects; the potential for increasing the number of projects in Canada by being locally represented, and the potential for recruiting engineers from Memorial University. The end goal is to have a fully functional Acergy office up and running able to execute NEC work in the region. To reach this goal Acergy have set themselves milestones that they are to reach within a set time frame. According to the milestone schedule, presented to us, the goals described in internal documents in relation to the progress of setting up the office are progressing as planned and the office is well on its way to becoming a fully operational Acergy office, and as Simon Hume expressed it: *"We might not have reached all the points (in the milestone schedule) on the exact date, but we have never been far behind and the office should be fully operational according to plan."*

When we visited St. John's there were 21 people hired locally by Acergy, but only seven of the engineers were currently working at the St. John's office. The remaining had either not

started working or they have been relocated to support other Acergy offices. This brings us to the most important relationship that Acergy Canada has; the rest of the Acergy organization. We have in our analysis included a network map of Acergy Canada's relationships. This map shows all the key relationships that the office in Canada currently has. Without the relationship with the rest of the Acergy organization, setting up an office in St. John's will be difficult. The reason for this is mainly the entry barriers discussed earlier in the thesis. Other key relationships that are necessary to establish are the relationships with customers and suppliers, both necessary for any new establishment. Due to the high number of alliances and other relationships in the oil and gas industry, having a good relationship with your competitors is also necessary. This is partly due to the many sub-contractors on any given project, and Acergy Canada will therefore most likely be working side-by-side with many of their competitors in future projects. We have also found it necessary to highlight the four different interest organizations that Acergy have to work closely with to succeed in the market place; NOIA, OTANS, C-NLOPB and C-NSOPB.

The relationship that we have chosen to focus the most of our analysis on is the strategic alliance between Acergy and Pro-Dive. The motive behind the alliance is to make Acergy's entry into Canada easier, in return Pro-Dive gets paid for their help. According to theory on strategic alliances developed by Lorange and Roos there are two different motives behind this alliance. Acergy's motive is to defend their market position, while Pro-Dive have a remain/defend motive. As a result of these two motives and the input/output of resources the alliance is structured as an Ad-hoc pool alliance.

One of the key points of an Ad-hoc pool alliance is the trust and strategic match between the two partners. In our case the strategic match can easily be found since the goal of the alliance is to make Acergy's entry into Canada easier. There are however issues that needs to be considered, the first being how the two different business cultures, the relative large organization of Acergy and the small organization of Pro-Dive, can be matched. This problem is somewhat self resolving since only one of the employees of Acergy Canada has worked in Acergy before. It is therefore likely to think that the business culture of Acergy Canada will reflect more of Pro-Dive's business culture rather than the rest of the Acergy organization. This will change over time, and factors contributing to this is the fact that when Acergy moved into their new offices in downtown St. John's their interaction with Pro-Dive was reduced. At the same time the interaction with the rest of Acergy will be increasing. Engineers

that are temporarily stationed at other Acergy offices will return, and as projects in Canada develop there will be increased interaction with other Acergy offices and Acergy vessels. Trust is the other major issue in the Ad-hoc pool alliance. In the Pro-Dive Acergy alliance the trust issues are, as predicted by theory, based on face-to-face values instead of legal commitments, this does not mean that there are no legal contract between Acergy and Pro-Dive. The interaction is in the beginning undertaken by Acergy people that have interacted with Pro-Dive in the past. When Acergy in the summer of 2007 established the office they did this in the office building belonging to Pro-Dive and they have been working side-by-side with Pro-Dive employees for almost 10 months before moving into their new offices in downtown St. John's. During this time period there should have been more than enough time to develop a relationship between Pro-Dive and Acergy.

So what did the alliance mean for Acergy's entry into Canada? We have already presented Simon Hume's view on the importance of the alliance: *"Yes sure it would have been possible (to enter Canada alone)..., but would it have been as successful? I don't think so!"*

If we look at some of the underlying reasons behind this we can clearly see that when we asked Simon Hume about problems that he had faced when setting up the office, he often referred to Pro-Dive as the solution to the problem. This included smaller problems like getting credit at local suppliers and all the way to marketing effort done before the office was established. What would have happened if there was no alliance with Pro-Dive? In our analysis we have looked at some alternative partners, but we have concluded with the fact that Pro-Dive have the right mix of market and industry knowledge without being a direct competitor to Acergy. The other alternative is to enter Canada without an alliance partner. There are several problems with this solution. As described using the U-model the knowledge represented by Pro-Dive is essential in getting the process started and Acergy would have had to get access to this information someplace else. Trying to enter the market "the normal" way will probably be possible, but it will most likely take longer time and/or demand more resources. There is also the possibility that an entry without Pro-Dive Acergy could have caused errors due to cultural differences. These errors could have caused some damage to Acergy's reputation in Canada.

To find out if the Pro-Dive Acergy alliance has been beneficial for the start-up process we first need to conclude that the start-up can be seen on as an entrepreneurial process. There are four main reasons why we can come to this conclusion:

- There has been no clear entrepreneur/intrapreneur; rather a team of entrepreneurs/intrapreneurs with Simon Hume in the forefront.
- The opportunity to do business in the Atlantic Canada oil and gas industry has always been clear to Acergy, but the timing has been an issue. The belief that the market will grow and that new oil and gas discoveries will be made and put into production has convinced Acergy that now is the correct time to enter.
- The resources needed to establish the office have been found in Acergy, through Acergy's network and in the alliance with Pro-Dive.
- Establishing the organization is still an ongoing process. As of mid March 2008, 21 people were employed by Acergy Canada.

The research question also assumes that the cooperation between Acergy and Pro-Dive is a strategic alliance, which we have proven earlier in the assignment. The last part of our research question is if the alliance has been beneficial for Acergy. We have earlier in the conclusion proven that the start-up would have been harder for Acergy without Pro-Dive and the alliance has therefore been beneficial.

Have the Pro-Dive Acergy alliance been a beneficial part of the entrepreneurial process of setting up a new Acergy office in St. John's? **Yes**

We have also seen that the entrepreneurial process gives a good guideline on how to approach this type of research. Given the gap in the research that we feel that this case study is covering, we feel that the connection between entrepreneurship and strategic alliances need to be focused more on. We have proven that in this case that there is a positive connection between entrepreneurship and the Ad-hoc pool alliance.

6.2 Limitations of the research

A research like this has several natural limitations. The first, and most important, is the resource aspect of the research. Every researcher will encounter this limitation during their

research and in our thesis this limitation comes in the form of limited time and capital. We have been working full-time on the thesis since January and we will have to deliver it to printing in the beginning of May. This limits us in several ways; first we have to focus our attention on one single case instead of the ideal situation of studying several cases. The time limit also means that we cannot observe the entire start-up, since this is a process that will take several years. We are therefore entering the start-up process as it is almost over, and focusing our data gathering on interviewing the people involved in the process. Along with the time, we have also limited capital. We would have liked to be able to stay longer in Canada, which would have made us able to follow the entire process, which included moving into new offices in down town St. John's. This was however not an option with the resources available to us.

There are also some other limitations that we have chosen to imply. The most important one can be found in the difference between the research problem and the research question. We are Master of Science in Business students that have specialized in international business. Both of us also have a Bachelor degree where we specialized in entrepreneurship. This implied that when we were to reduce our research problem down to a manageable task in the form of a research question we focused on the fields in which we have the most knowledge. This means that we are analyzing Acergy's start-up in St. John's from an international business and entrepreneurial perspective. This perspective means that we have chosen to not look at two other potentially interesting perspectives such as the engineering and logistic perspective. We have also chosen not to include financial aspects of the start-up.

6.3 Strengths and weaknesses of the research

The most important strength of this thesis is that we are studying an organization that contacted us, not the other way around. This means that we study an organization that wants our cooperation. It is important to us that the people in the organization do not look at us as intruders. There has been contact between the Norwegian Shipowners Association and Acergy, and internal discussions between Acergy in Stavanger and Acergy Canada regarding the thesis before we were introduced to Acergy. We know that we are welcome when we contact Acergy. This strength is somewhat impaired by the fact that communication with Acergy Canada have been difficult during the planning of our research. In the initial stage of preparing for our thesis, and preparation to visit Canada, it took time to get answers in regards to inquiries we made to Acergy, and several attempts to make contact were unanswered. This

problem was reduced some when we came to Canada, and we got several good interviews with Simon Hume, Paul Reed and Heather King, in addition to the conversations we had already had with Siri Skaar and Øyvind Mikkelsen.

This leads us to the next strength of our thesis; the time we got to spend in Canada. In addition to giving us the opportunity to meet face-to-face with different people in the Acergy organization in Canada and to observe the cooperation with Pro-Dive, we also got an impression of the local community that Acergy Canada is to operate in. Unfortunately we were unable to meet with some of the people that we wanted to see in Canada, this included Richard Gibson and the management of Pro-Dive. Richard Gibson visited Canada while we were there, but he had to spend all his time in Halifax, we were therefore unable to speak to him. We were hoping to do an e-mail interview with him after we returned to Norway, but he left the Acergy organization before we were able to get answers from him. The interviews we wanted to have with the management of Pro-Dive were also obviated by their workload and the fact that they were partly in Halifax during our stay in St. John's. We were also asked by Simon Hume not to contact Pro-Dive during our last days in St. John's due to circumstances still unknown to us, and we have been unable to get any answers from Pro-Dive on e-mail after returning to Norway.

The third strength of our research is that we have been able to follow Acergy's recruitment process, both from Simon Hume and Paul Reeds perspective as well as from the perspective of a work applicant for a position in Acergy. We were both among the final candidates to be hired by Acergy before we started our work with master thesis, and we spent two days at Acergy's office in Stavanger as part of Acergy's recruitment and selection for candidates for their Commercial Graduate Scheme. This made it easier for us to understand Acergy's approach to newly graduates and their cooperation with Memorial University.

6.4 Implications

We now know that use of a strategic alliance is beneficial for this start-up process, but can we therefore say that Acergy or other organizations in the same situation therefore should use strategic alliances when entering a new market? If the conditions are identical to what is described in this case it would be naturally to assume that a strategic alliance would be beneficial. So how far away from this case is it possible to go before our findings no longer

can be used to argue that a strategic alliance would be beneficial. There are some key facts about this case that makes the strategic alliance beneficial:

- In the industry which Acergy operates strategic alliances are common.
- A good reputation within the industry is important to succeed.
- Being a local company is a key success factor for Acergy's market entry.
- Acergy's partner (Pro-Dive) can contribute with vital local market knowledge
- Acergy can use their partner to reduce some of the obstacles they were facing when setting up the office.
- Acergy's partner is not a direct competitor to Acergy.

If these conditions are the same next time Acergy are setting up a new office it would be natural to think that it would be beneficial to enter into an alliance. However there might be other conditions not relevant to this case that could obliterate the positive effect of a strategic alliance next time Acergy are setting up a new office. We would therefore be careful to generalize and say that Acergy should always use strategic alliances, but based on this case we would advise Acergy to always consider a strategic alliance when entering a new market. It is however important that Acergy are aware of the induction problem; even though it was positive in this case and possibly in the next ten cases, it does not mean that it will be positive each time.

If transferring our research findings to other organizations or other industries there is even more reasons to look at variations between their situation and our case. Things that did not seem important in this case can be important in other cases. However if the conditions are similar to this case it can be beneficial to use a strategic alliance to make the market entry easier, and we will recommend looking into positive and negative effects of a potential strategic alliance.

6.5 Proposal for further research

Our proposal for further research will be to first cover the parts of this case that we have not discussed. We have in the introduction to this thesis said that we will not look at the engineering, financial or logistic aspects of this case. This means that we have not included any discussion on the projects that Acergy are to undertake in St. John's and the need for

resources that these projects will demand. A potential for future research is therefore to analyze the St. John's office in regards to what type of engineers is needed, what type of vessels will be needed and what type of projects the office can handle.

Our second proposal for further research is also trying to cover a gap in our research. We have earlier argued for our approach to enter an ongoing internationalization process and the positive effects from this. We can however see that there would be other positive effects of studying the process after it have been finalized, and the office is fully operational. The positive effect from this may be that the researcher will be able to focus more on positive or negative effects from the actions taken during the start-up, and therefore come up with suggestions to changes, before starting up a new office somewhere else. This approach will however encounter problems that we have not had to worry about. If trying to study the start-up after it is over, the researchers risk that they will not be able to gather primary data. The process is over and there is no process to observe. The people involved are most likely to have moved on to new projects. This will be especially true in a company like Acergy that is very project orientated. Our most important source of data, Simon Hume, said the following about his future in St. John's: *"My commitment is to be out here for two years as of last August, and maybe it will be longer, maybe it won't be longer. ... I'm not planning on staying beyond that period, but equally I'm not planning on leaving either, it's just not something I have given any consideration to at the moment."* We have also observed how a resource person like Richard Gibson left Acergy during the start-up. Entering an ongoing process can therefore not guarantee that everyone that has been important during the expansion are still involved, but it increases the possibility of getting easier access to primary data.

A third possibility for further research is to follow our approach on another case. Using the same research question on more cases can indicate if the positive answer we got to our research question can be generalized to all new start-ups in the oil and gas industry. A research approach like this would however encounter the induction problem, and any number of positive answers cannot guarantee that the next answer will be positive.

7. References

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Appendix 1: Interview guide for interview with Simon Hume 28.02.2008

The interview guide that was sent to Simon Hume before the interview on the 28th of February

Purpose of the interview:

Research problem; “Analyze Acergy’s startup in St. Johns.”

We basically want to know as much as possible, in terms of strategic alliances, entrepreneurship and other relationships in the Newfoundland area, in regards to setting up operations in St. Johns.

Time use: 1-2 hours.

Use of technical aids: The interview will be recorded.

As we spoke of the last time we were here, we will not publish our report before you have read and had a chance to comment on it. We will also send you a summary of the interview once we have organized your answers.

When the project first was presented to us by Siri Skaar and Tine Westerberg, they suggested that the report should involve finding rights and wrongs with the St. Johns entry. After discussing the research problem back and forward with our counselor, we now only focus on describing how Acergy is setting up a new office here in St. Johns.

We intend to use the questions below as a guide to this interview; other questions might be added during the interview. Any questions you might have; feel free to ask us.

Respondent:

Name: Simon Hume

Position:

Years in Acergy/Stolt Offshore:

- When did you start to work for Acergy?
- At what time in the St. Johns process did you enter? What we want to know is if you have been there from the start? Were you involved in the planning process? What is your role now that the office still is in the establishing phase?
- Do you see yourself leading the St. Johns office when it's fully operational?

- We would like to know about the steps, in general, you made when setting up the office? If you could take us through the process from perhaps the beginning – now.
 - What were considered to be the opportunity?
 - How to take advantage of this?
 - Resources needed?
 - Structure of the operation?
 - How did you gain control over resources?

- Obstacles in setting up the office? If so, what kind and how have you dealt with them?
 - Cultural differences?
 - Legal?
 - Political?
 - Economical?
 - Environmental?
 - Financial?

- Would you say that your relationships have made these issues easier to deal with?

- Besides your relationship with Pro-Dive, which we will get back to later, which would you consider being Acergy's key relationships in Canada and why are these relationships important?
 - Political?
 - Educational/recruitment?
 - Customers and clients?
 - Other partners?
 - Competitors?

- What do Acergy want to get out of the alliance with Pro-Dive? Would you have setup an office in St. Johns without your relationship with Pro-Dive?
- Why did Acergy want a local partner?
 - Easier market entry (towards costumers)?
 - Easier recruitment?
 - Easier administration?
 - Legal reasons?

- What do you think Pro-Dive want to get out of the alliance with you?
- Who took the initiative to form the alliance? Did they come to you or reversed?
- The current agreement has a three year perspective. What happens after those three years? What do you think will happen?
- We assume that Acergy will continue to exist as an independent organization, is the same true for Pro-Dive? (ref: Dangers of the Ad Hoc Pool alliance for the smallest of the two partners in an alliance, p44)
- When entering, did Acergy consider other partners or was Pro-Dive the only business considered?
- Do you know if Acergy have used alliances (like the Acergy – Pro-Dive alliance) when establishing offices in other parts of the world?
 - If not; then why this time?
- Other alliances? If so, what can you tell us about these?

Appendix 2: Interview guide for interview with Paul Reed 12.03.2008

The interview guide that was used during the interview with Paul Reed on the 12th of March

Purpose of the interview:

Research problem; “Analyze Acergy’s startup in St. Johns.”

We basically want to know as much as possible, in terms of strategic alliances, entrepreneurship and other relationships in the Newfoundland area, in regards to setting up operations in St. Johns.

Time use: 1 hour.

Use of technical aids: None

As we spoke of the last time we were at the office, we will not publish our report before Simon Hume have read it and had a chance to comment on it. We will also send you a summery of the interview once we have organized your answers so that you will have a chance to come with corrections and any extra information you might think is relevant to us. The final report will be sent to Simon Hume in the end of May 2008.

When the project first was presented to us by Siri Skaar and Tine Westerberg, they suggested that the report should involve finding rights and wrongs with the St. Johns entry. After discussing the research problem back and forward with our counselor, we now only focus on describing how Acergy is setting up a new office here in St. Johns.

We intend to use the questions below as a guide to this interview; other questions might be added during the interview. Any questions you might have; feel free to ask us.

Respondent:

Name: Paul Reed

Position:

Years in Acergy/Stolt Offshore:

- When did you start to work for Acergy?
- At what time in the St. Johns process did you enter? What is your role now that the office still is in the establishing phase?
- Do you see yourself working as engineering manager at the St. Johns office when it's fully operational?

- Obstacles in setting up the office? If so, what kind and how have they been dealt with?
 - Cultural differences?
 - Legal?
 - Political?
 - Economical?
 - Environmental?
 - Financial?

- Would you say that your relationship with Pro-Dive have made these issues easier to deal with?

- Besides your relationship with Pro-Dive, which we will get back to later, which would you consider being Acergy's key relationships in Canada and why are these relationships important?
 - Political?
 - Educational/recruitment?
 - Customers and clients?
 - Other partners?
 - Competitors?

- What do Acergy want to get out of the alliance with Pro-Dive? Do you think it would have been possible to set up an office in St. Johns without the relationship with Pro-Dive?

- Why do you think Acergy wanted a local partner?
 - Easier market entry (towards costumers)?
 - Easier recruitment?
 - Easier administration?

- Legal reasons?
- What do you think Pro-Dive want to get out of the alliance with you?
- We assume that Acergy will continue to exist as an independent organization, is the same true for Pro-Dive?
- Would you say that Acergy have succeeded in moving closer to the workers?
- Are the engineers that Acergy hires educated mainly from Memorial University, or is recruitment from other sources just as important? Are Acergy able to attract highly qualified engineers?
- Simon Hume mentioned that it was hard to find work for the engineers during the start-up process, your view on this? Are there current projects in Canada that you have engineers working on?

Appendix 3: Interview guide for interview with Heather King 12.03.2008

The interview guide that was used during the interview with Heather King on the 12th of March.

Purpose of the interview:

Research problem; “Analyze Acergy’s startup in St. Johns.”

We basically want to know as much as possible, in terms of strategic alliances, entrepreneurship and other relationships in the Newfoundland area, in regards to setting up operations in St. Johns.

Time use: 1 hour.

Use of technical aids: None

We will not publish our report before Simon Hume have read it and had a chance to comment on it. We will also send you a summery of the interview once we have organized your answers so that you will have a chance to come with corrections and any extra information you might think is relevant to us. The final report will be sent to Simon Hume in the end of May 2008.

When the project first was presented to us by Siri Skaar and Tine Westerberg, they suggested that the report should involve finding rights and wrongs with the St. Johns entry. After discussing the research problem back and forward with our counselor, we now only focus on describing how Acergy is setting up a new office here in St. Johns.

We intend to use the questions below as a guide to this interview; other questions might be added during the interview. Any questions you might have; feel free to ask us.

Respondent:

Name: Heather King

Position:

Years in Pro-Dive:

- When did you start to work for Pro-Dive?
- When was your first encounter with the Pro-Dive Acergy alliance?
- What is your role in the Pro-Dive Acergy alliance now that the Acergy office still is in the establishing phase?
- Do you see yourself working for Pro-Dive or Acergy after the end of the formal alliance?

- Obstacles in setting up the Acergy office see from your perspective? If so, what kind and how have they been dealt with?
 - Cultural differences?
 - Legal?
 - Political?
 - Economical?
 - Environmental?
 - Financial?

- Would you say that Acergy's relationship with Pro-Dive have made these issues easier to deal with?

- What do you think Acergy want to get out of the alliance with Pro-Dive? Do you think it would have been possible to set up an office in St. Johns without the relationship with Pro-Dive? What do you think Pro-Dive want to get out of the alliance with Acergy?

- Why do you think Acergy wanted a local partner?

- We assume that Acergy will continue to exist as an independent organization, is the same true for Pro-Dive?

- Do you think there would have been any relationship between Acergy and Pro-Dive if Acergy had chosen to enter the market without the help from Pro-Dive?

- Have Pro-Dive been involved in similar alliances before?

- What will change when Acergy moves to their new offices in downtown St. John's? Will you move down there with them or will you stay at Pro-Dive's offices?

- Simon Hume mentioned that Pro-Dive did some marketing work for Acergy before he moved to St. John's, what can you tell us about this?