Managing the Risk at the Operator / Drilling Contractor / Service Contractor Interfaces

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Plan Design Enable
Agenda

Who is Atkins?
The operator / drilling contractor / service contract relationships
The "should" map
Alliance governance
Proposed mechanism
Conclusion
Who is Atkins?

Atkins is one of the world's leading design, engineering and project management consultancies.
Why are they Here?
Management Systems

Specification for Quality Management System Requirements for Service Supply Organizations for the Petroleum and Natural Gas Industries

API SPECIFICATION Q2
FIRST EDITION, DECEMBER 2011

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Typical Offshore Drilling Relationship

Operator

Contractual

Drilling Contractor

Contractual

Service Contractor

Influential
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Contractual model
Alliance governance
Proposed mechanism
Conclusion
Contractual Model

Operator

Bridging Document

Drilling Contractor

Limited Ability to Control Risk

Service Contractor

Bridging Document

Control unable to fulfill expectations
Agenda

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Alliance governance
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Alliance Governance

Alliance governance – combinations of legal and social controls mechanisms which coordinate and safeguard the alliance partners' resource contributions and define their administrative responsibilities and the division of rewards from their joint activities.
Alliance Governance Model

Model is based on Risk
- Relational Risk
- Performance Risk

Governance Models
- Control View
- Trust View
Control use

Relationship between control vs. trust models

- Substitutes when both risks are low
- Complementary when both risks are high
- Balance driven by different levels of risk
Use of Control and Trust

- **Control**
  - Manage uncertainty of partner’s intention

- **Complements**
  - Applied simultaneously to deal with partner and demanding environment

- **Substitutes**
  - Either or both can be applied in undemanding environment

- **Trust**
  - Need to cope with environment when partner predictable

- **Performance Risk**
  - Low
  - High

- **Relational Risk**
  - Low
  - High
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Two Scenarios

Low Trust Risk – High Performance Risk
● Favorable past experience with the Service Contractor
● Established level of relationship
● Shared perspective of outcome and priorities
● Well understood mutual dependency

High Trust Risk – High Performance Risk
● No or Poor track record working with the Service Contractor
● Disparate cultures or industry backgrounds
● Lack of common understanding or appreciation for value at risk
Low Trust Risk  
High Performance Risk

Charter - Simple Memorandum of Understanding
- Vision of the collaboration
- Type and level of commitment by each
- Simple governance structure
- Nondisclosure agreements
- Agreed view of performance risk
- Joint expectations of performance

Characteristics
- Decisions are not forced – shared benefits drive success
- Agreed goals – intrinsic motivation
- Drilling contractor first among equals
- Each manage their own work within the framework
High Trust Risk
High Performance Risk

Charter – Detailed Memorandum of Understanding/Contract
  ● Explicit details regarding the collaboration and roles
  ● Details on expectations and processes
  ● Hierarchical governance structure
  ● Case-by-case "sub-agreements" at interface
  ● Joint expectations of performance

Role of initiator (drilling contractor)
  ● High level of mutual understanding
  ● Behavioral and culture differences bridged
  ● Mainly intrinsic motivation
  ● Verification built into MoU processes
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Alliance relationship charter comensurate with risk
Consideration of tangible and intangible elements
Complex controls may/may not be necessary
False trade-off between detailed controls and flexibility
Standardized alliance programs often suboptimal
Alliance needs to be customized to situation and risk