



# Survive & thrive

EIC Insight Report 2019  
**VOLUME III**



# Executive summary

Survive and Thrive 2019 (Volume III) charts the course that 25 EIC UK member companies have taken to grow against a backdrop of a cautious oil and gas market recovery with very tight margins, competition that remains fierce and Brexit uncertainty, and a growing emphasis and activism around decarbonisation.



The participating organisations have a wide range of strategies, scale, capabilities, products and services and provide a representative cross sample of the UK energy supply chain, with success stories coming from multinational Tier 1 contractors through to family run SMEs, covering all energy sectors.

We revisit the same eight growth strategies identified in the 2018 Report (Volume II) to see if the use of these has risen or fallen (see the comparison table on page 7) as well as putting the spotlight on three areas of vital importance to the UK industry: Brexit, export and scale-up.

The eight strategies being put to good use by the 25 companies are: innovation (the most used strategy at 64%), followed by service and solutions (60%), optimisation (48%), diversification (36%), digital (32%), technology (28%) and export (once again the least used growth strategy at 12%). Collaboration is always used as an enabler to facilitate faster and smarter implementation of another strategy, as seen in all relevant success stories.

An overview of the companies and their Survive and Thrive strategies can be found on pages 8–9. Please do take the time to read each organisation's individual success

story – the work they are doing to grow and flourish in spite of, and in many cases, as a result of the industry downturn makes for remarkable reading.

As well as detailing these individual growth strategies and lessons for the rest of the industry (the most important ones have been highlighted on pages 14–17), this report provides invaluable first-hand information from the UK supply chain about what it needs from the government to prosper. The key recommendations for government are listed on pages 12–13.

The strategies put in place in this edition of Survive and Thrive have generated a massive £1.8bn in savings and new orders, compared to £357m in 2018 and £550m in 2017.

Of course, these figures are dependent on the companies which take part in each publication, nevertheless, they undoubtedly show, time and again, that developing these step-change business development strategies is well worth the time and effort. As big a return as £1.8bn is, it could have been a lot larger – only 40% of the organisations in this year's study scaled-up their solutions – imagine just how large that number could have been if they had all scaled-up. Then imagine if the whole of the UK supply chain was maximising returns on a successful product or service. The results would be mind-boggling!

It is our hope that these success stories and the remarkable results they highlight will inspire the rest of the industry to give them a go. If you do decide to implement any of the Survive and Thrive strategies detailed in this report, please do contact the EIC to

find out how we can support you on your business growth journey.

## Key findings

### 1. No appetite for new regions

Once again, export is the least used growth strategy, and its uptake has actually dropped from 19% in 2018 to 12% this year.

Given the excellent reputation that the UK supply chain enjoys worldwide and the phenomenal results an export strategy can produce, this is very frustrating, all the more so in the context of Vision 2035 as well as the ongoing confusion around Brexit and the very real possibility that UK suppliers might need to look for new markets very soon.

Survive and Thrive III found that export, specifically the development of new export markets, is too often not considered by business leaders as their go-to business growth strategy due to its perceived risk, and it requiring a lot of upfront costs and planning with returns taking time to be seen.

While awareness of the support that is available for exporters such as DIT, SDI and EIC, albeit not as much as we would hope, has risen, there is still a lack of understanding of where the best markets for energy exports around the world are, how to do business abroad and how to choose the right local partner.

In summary, exporting is still seen by far too many business heads as a relatively risky strategy compared to other growth options, with too many barriers and not enough support to make it worth the potential reward.

### 2. Brexit impact increasing

Survive and Thrive Volume I was published in 2017 and despite the

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endless media coverage Brexit generated no one knew at that time what Brexit would entail and for our participants it did not seem real, with not one of them reporting being impacted by Brexit.

A year later and with Article 50 supposedly less than six months away, the number of companies feeling a Brexit impact had risen to five.

When the majority of interviews for Volume III took place, we had already passed the Article 50 deadline of March 2019, and Brexit impact, both positive and negative, has hit its highest level yet, with eight companies affected.

Those companies that are net exporters have found that the weak sterling has benefitted their businesses: they have received more orders with higher profit margins as a result.

Other companies had implemented no-deal contingency plans only to be frustrated at what seems like a wasted investment.

Many larger contractors have already opted to invest in mainland Europe with our smaller companies recognising that they may start losing these existing clients to their European counterparts.

Overall, there is a lot of frustration at the lack of clarity from government on Brexit, meaning the UK supply chain cannot develop their own long-term plans, and are not prepared to gamble on an unknown route out of Europe. Certainty and stability are needed for investment in any sector.

### 3. Service and solutions on the rise

Since the first edition of Survive and Thrive the energy market has bounced back somewhat, however, the volume of new CAPEX projects is still not enough to go around, meaning

## Survive and Thrive Volume III strategies at a glance

### Collaboration

Working with partners to enable another Survive and Thrive strategy

### Digital

The application of digital systems, analytics and technology to innovate

### Diversification

Expanding existing capabilities into similar sectors, such as oil and gas to offshore wind

### Export

The development of new business by focusing on international growth in new countries/ regions

### Innovation

Enhanced products, services, strategies and culture to meet specific client needs and build differentiation

### Optimisation

The focus on improving internal decision making, costs, processes, agility, flexibility, structures and enhancing competitiveness

### Service and solutions

The focus on adding value to customers in their OPEX and O&M value chain, and the specific broadening of scope of work to provide a one-stop-shop or customer-centric approach

### Technology

Refers to the specific use of technology to solve clients' problems

competition remains fierce, and many projects are still delayed.

It is therefore no surprise that with very little new build taking place companies have looked to keep their existing customers happy by adding value wherever they can with a particular focus on switching to consultative selling and solution selling, meaning that companies are adapting their products and services to meet the specific needs of each key customer. Although this process is time consuming, it leads to better 'stickiness' and more aligned risk sharing contract models.

Another consequence of the lack of greenfield work is that our companies

have, by necessity perhaps, moved into the O&M and service market. In these tight times they are no doubt seeing the value of the long-term contracts and reliability which this sector offers as opposed to the unpredictable, year-by-year revenues provided by project work.

### 4. Diversification slows as oil price rises

While the market can hardly be said to have gone from bust to boom, it has started to recover, which has already started to dull the industry's appetite to diversify.

Diversification is not only an important safety net in case of future downturns,

it can prove to be very lucrative. At the EIC we have seen numerous companies diversify successfully, notably from oil and gas to offshore wind where in many projects they can add real value due to their transferable skills and expertise.

The problem seems to be that most O&G companies are reluctant to look at the renewable energy market, commenting that the profit margins are too tight, and that the competition is too tough, with most awards going to European suppliers. There is also a lack of understanding of just how much overlap there is between different energy sectors and how their products can fit on renewable energy projects. The government and industry bodies must work more closely with major renewable energy developers to promote the opportunities on offer with them.

#### 5. Digital is coming to life

We are living through the beginning of Industry 4.0. Owners, operators and large EPCs are quickly moving from theory to practice, becoming increasingly digitalised. Some suppliers are now starting to recognise that the world is becoming digital and if they want to work with changing customer demands then they have to offer digital products and services which can help drive down costs and enhance efficiencies.

This is a very exciting and important time, with no one yet dominating the digital energy space but many starting to invest heavily to try to be first to offer high-value, low-risk digital and disruptive innovation to their clients. Watch this space over the coming one-two years as the EIC believes we are about to move permanently into digital-ready solutions and digital-expectant customer demand.

#### 6. Help needed with scale-up now

The costs and savings across the

series of Survive and Thrive success stories are always remarkable – but always raise the prospect of just how much more revenue these solutions could raise if they were scaled-up faster.

There is still no government funding or support mechanisms in place for companies that do wish to scale-up their operations for UK markets.

In conjunction with Robert Gordon University and Opportunity North East, we have launched Fit4Energy. This modular course equips participants with the knowledge, networks and best practice examples to successfully plan for and implement growth. It supports organisations to scale-up, innovate and internationalise.

#### 7. The gap is closing on innovation

For a third year in a row innovation remains the most used Survive and Thrive strategy. It is still seen as the best way to retain existing clients. However, as the energy landscape changes, its uptake is steadily falling year-on-year, as more and more suppliers are taking to digital, service and solution-based strategies.

Innovation is key to holding onto current customers, however, digital and service and solutions (especially in the sense that for many suppliers it offers diversification from CAPEX to O&M work) are increasingly seen as vital strategies to win new clients.

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