

Executive summary

EIC Survive & Thrive Insight Report

Introduction

The EIC Survive and Thrive initiative was borne out of CEO Stuart Broadley's efforts to meet with as many EIC member companies as possible during his first few months in post.

Within his first 120 days he had met with 120 EIC members. These organisations' determination to 'stay in the game', and even to prosper and grow, in spite of, and increasingly because of the challenging markets was truly inspiring.

From these early meetings, it became apparent that there were common factors that led to their success. The EIC realised that if these strategies and best practices were identified and shared with the wider industry they could help UK businesses to flourish, even during the downturn.

Hence, this special, inaugural **EIC Survive and Thrive Insight Report** summarises key findings for industry and for relevant departments of the UK government, providing in-depth case studies for each of the 26 participating companies. These 'success stories' provide valuable lessons on an individual company basis, of course, but are perhaps even more powerful when approached holistically, providing a best practise book, if you will, for how companies in any sector can learn to survive and thrive in challenging markets.



technology to solve clients' current problems, then 73% of companies have innovated their way out of the crisis.

Innovation and technology strategies had to be planned, normally with just one important target customer in mind at a time. Companies which successfully innovated in these case studies allocated time and resources to do so. It became part of their day-to-day life. Those innovations, be

they technological or process based, often saved their clients' money, through enhanced efficiency and increased production. Likewise, innovation related to safety enabled companies to differentiate in an area where cost alone isn't the bottom line, it's something more fundamental – a customer's reputation.



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In-depth interviews during February and March 2017 were organised with 26 EIC member companies, a representative sample of companies ranging from small UK-only SMEs to Tier 1 EPC companies with thousands of workers spread across the globe – and representing all segments of the energy industry: oil and gas, power, nuclear and renewables.

The strategies being employed by these companies to survive and thrive during these tough times were grouped into six categories:

1. Innovation
2. Technology
3. Collaboration
4. Diversification
5. Export
6. Optimisation

The strategies at the ends of the spectrum, those most and least employed, are extremely thought provoking.

Innovation and technology

The strategy most often employed was that of **innovation**, defined as how companies are getting much closer to their customers, often changing their own processes and structures, as well as offering significantly enhanced products, services and solutions, with new or applied differentiation, doing whatever it takes to meet the changing needs of their key clients in these challenging times, with the key aim of retaining their valuable loyalty and business. If you include the strategy of **technology**, which in this context is the specific use of

A large number of companies have seen a considerable increase in revenues by moving from being a supplier of components to a one-stop-shop for their clients, becoming a complete solutions provider. This allows these companies to not only supply goods, but to become involved in the whole project life cycle, from pre-design work and material selection through to installation and operations, with the obvious commercial benefits this brings as well as positioning themselves as trusted and, importantly, long-term partners for their clients.

It is reassuring to read that innovation and technology are favoured strategies by British companies in a downturn, but important questions remain: the savings generated by these innovations for clients are



Savings and new orders calculated from one customer case study each exceeded £550m per year – imagine if this could be scaled up

huge – but are limited to normally only a few clients per company – due to their lack of scalability – both at home and abroad.

- What is the role of government to unlock this potential and convert these local innovators to global dominators?
- Can SMEs find a way to scale up on their own, or will they ultimately be acquired by larger players, diluting that innovative spirit that made them special?
- Are truly disruptive innovations now presenting themselves in the mature offshore oil and gas arena? Are the traditional players, operators and contractors alike, ready for these innovations?
- Is there a simple way to match make problem solving innovators with solution-seeking operators?

Export

At the other end of the spectrum to innovation, is **export** – the least employed strategy at only 8%. This may seem like a surprise, and we at the EIC had to think hard about why this might be. The truth is clear from the case studies though – companies have not stopped exporting through the downturn, but they have typically not seen investing

in ‘new exports’ as the way out of the crisis. Export markets for energy are often fraught with complexity and risk, and British companies are instead choosing strategies that are faster, cheaper, easier and allow them to focus on retaining their existing key customers.

This significant and worrying under deployment of export as a survive and thrive strategy raises fundamental questions for industry and the government. Many companies that considered exporting but decided against it, were either unaware of the assistance on offer from government bodies such as the Department for International Trade or UK Export Finance, or felt that getting support was too complicated or did not apply to them for some reason.

Key recommendations centre upon ‘exporting short cuts’ in a downturn – targeted and high-profile mechanisms to encourage companies to overcome their obvious resistance to invest in new export markets:

- A mechanism that clearly works already is Fit4Nuclear – can we learn from this success and create a new government supported training and accreditation initiative for SME scale up?
- UK Export Finance large credit

deals in major global energy projects are creating huge excitement within the UK energy supply chain already, but do enough companies understand how to take advantage of this major short cut?

- Well-resourced country campaigns led by the Department of International Trade, backed up with detailed and accurate market data, aligns well with multipliers like EIC and other trade associations. Can trade associations do more to help?
- Re-instated TAP funding for SMEs to exhibit abroad, and to learn about new markets, is essential – can the government make this simple change, at a small cost, benefitting hundreds of SMEs immediately?

Collaboration and diversification

Collaboration accounted for 31% of the strategies employed, but never on its own; always as an enabler or catalyst for a second or third strategy – be it to diversify, innovate, optimise or to gain a new technology.

The topic of collaboration gets a lot of attention and perplexes many for all sorts of reasons, including because operators struggle to contract with loosely collaborating suppliers, or because of the real or perceived challenges with internal culture change needed to embrace a collaborative mindset.

However, the EIC believes collaboration at the supply chain level can be more easily swallowed when it is seen as one piece of a wider change strategy. Certainly, in these case studies, a sense of urgency was a pre-requisite for the companies that collaborated, so culture change was quickly embraced by all.

Diversification accounted for a surprisingly high 27% of strategies employed, be it from one sector to



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another (the most common being oil and gas focused companies making the move to offshore wind) or from CAPEX focus to the aftermarket, and was proven to yield excellent results.

Why do we say 27% is surprisingly high? Because the EIC has heard from many companies over the past months and years that diversification takes too long, especially because their clients' and their own internal culture would need to change first, but these case studies all prove that companies are embracing the culture changes needed to be able to successfully diversify in months, not years.

Diversification is seen as a means of futureproofing a business. Companies have recognised that overreliance on one sector is no longer an acceptable risk to take. Indeed, the companies with the most diverse portfolios, unsurprisingly, weathered the downturn best.

Optimisation

Finally, and perhaps also surprisingly, even two-three years after the start of the crisis, companies are still finding huge potential for **optimisation** of their costs and processes, and most importantly are finding ways to directly pass these benefits on to their customers. It may feel like efficiencies must have now been maximised after all the job losses and business closures, but companies are showing determination and creativity to move beyond cost reduction and cost avoidance, to cost and process differentiation.

This is another key lesson – it is never too late to look inside a company and expect further efficiencies, and these are most effective when the benefits are felt directly by your customers.

Conclusion

The UK and global energy industry is undeniably still not yet out of

its market crises. However, the companies in this report have shown that with crisis comes opportunity: to innovate, to diversify, to further optimise, and ultimately to come out of the downturn stronger than ever.

The strategies for success identified in this report are proven, current, inspiring and important. The savings and new orders won by these 26 companies alone, through their survive and thrive strategies, and normally calculated from only one customer case study, exceeded £550m per year.

Imagine what this could be worth to businesses and the UK economy if this could be scaled up, at home and abroad?



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