

Merging and restructuring in Norwegian Offshore Service Vessel (OSV) - Companies

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Abstract

The Norwegian offshore industry has struggled with low rates, imbalance between supply and demand, low oil prices and shipowners struggling to pay their loans and debt. It has been shown that offshore service vessel (OSV) - companies has been through some harsh years. This thesis aims towards if mergers and restructuring are the right solution that helps OSV-companies to continue operating moving forward. The thesis highlights topics regarding why mergers and restructurings have occurred, how it affects companies internally and externally, and how the future of the industry would emerge ahead. The aim is to see how mergers and restructuring will affect Norwegian OSV-companies both today and moving forward. The method is done by use of relevant literature concerning topics of merging, restructuring and ownership. As well as interviews with relevant informants working within the industry and with knowledge concerning it. The findings in this thesis imply that the companies have become more cost-efficient, watchful and made them more suitable to meet the cost-obligation that appears moving forward. The findings also imply that merging helps the companies to achieve economies of scale, as well as more knowledge and expertise within the company.

Key-words: Merging, Restructuring, OSV-companies and Ownership

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Abbreviations

ABBREVIATIONS	DEFINITION
AHTS	Anchor Handling Tug and Supply
ASA	Allmennaksjeselskap (Public Limited Company)
B/E	Break Even
CEO	Chief Executive Officer
DN	Dagens Næringsliv
DNB	Den Norske Bank (The Norwegian Bank)
GIEK	Garantiinstituttet for eksportkreditt (Guarantee Institute for Export Credit)
HR	Human Resource
KS	Kommandittselskap
OPEC	Organization of the Petroleum Exporting Countries
OPEX	Operational Expenditures
OSV-COMPANIES	Offshore Service Vessel Companies
PSV	Platform Supply Vessel
SMP	Sunnmørsposten

1. Introduction

1.1 Background

The Norwegian offshore industry and its value have been an important asset for the Norwegian wealth for many decades. In 2014/2015, there were higher values within the Offshore Service Vessel (OSV) industry, then we see today. Low oil prices and an abundance of fleets in the market have been considered the main reason behind the rough times the OSV-industry has experienced the recent years. Through larger production and higher inventory in other markets such as the United States and the OPEC countries, has been a factor making the oil price significantly lower the recent years. In the Norwegian Offshore market, the B/E (break-even) on offshore installations has been considerably high, meaning that a low-oil price has made installations on the Norwegian sector less-profitable. In addition, there is less oil-exploration in the sector. Thus, the Norwegian offshore industry has been considerably weakened (Løseth, 2016).

Thus, it has been found that a solution that several companies have considered or completed, has been to merge with other operating businesses. Kaplan (2014) argues that a consolidation between companies will at all times consist of major restructuring, unforeseen events and high cost (Kaplan, 2014). Henceforth, it is important to be aware of the different impacts, as well as how restructuring and mergers will change the offshore industry and the OSV-companies in the years ahead. Andy Farstad, the former CEO (chief executive officer) of Farstad was recently in the media and explained what has been happening during the tough times and the merging process that has taking place within his firm. According to an interview on February 2nd. with Sunnmørsposten, he explains that one of his visions is to; “*create more workplaces and value to the community*”. He continues explaining that the harsh times the company has been through, he has always tried to do the right thing for the company and not what endorses him personally and states that he is feeling “*betrayed*” by other actors in the

industry (Wattø & Støre, 2018). This shows the impact merging could have on OSV-companies. The set-back within the industry has changed how the future of the business emerges. OSV-companies have been close to bankruptcy, lost great values and have cut down in their crew and personnel both on-land and off-shore. Not only has it been a big loss for the industry in general, but a crisis that has meant that multiple people have lost their jobs and a concern that has caused local companies and establishments to move away or been close to bankruptcy (Takla, 2016).

In this thesis the focus lies on how the recessive times in the offshore market has affected the OSV-companies. In general, how could an industry with so much value, importance and expertise get significantly weakened in a fairly short period of time. This thesis considers ownership, organizations and why the phenomenon of merger has been seen as one of the solutions within the industry. The aim is to determine if OSV-companies can arise from the decline in the market, and if cooperating with one another and merging could be considered as sufficient and adequate moving forward.

1.2 Motivation

My own motivation for writing this thesis is my own proximity to the Norwegian offshore industry. As I grew up in the maritime cluster at "Sunnmøre" and have a personal history of working on various offshore vessels, it was natural for me to write a thesis that deals with an issue concerning it. As the industry has been through tough times, it has had a great impact on jobs in my own hometown, thus negatively impacted local business, friends and associates working in the offshore sector. This has given me a strong inspiration to research questions concerning what and how these ruthless times could have happened in this industry. Also, it is a great chance to discover and determine the opportunities that lies ahead

for the OSV-companies in the years ahead. In addition, it is an exhilarating topic, and holds a high relevance in today's market.

1.3 The thesis's limitation

Since the topic at hand could be considered as quite wide, it is important to underline clearly what to focus on. The emphasis in the thesis are on the phenomenon merging and restructuring, as well as get into questions such as why it has occurred and what it is. Furthermore, the scope is to examine issues regarding owner and leadership and how these changes affect the OSV-companies. Both owner and leadership could be considered as the most essential issue regarding this thesis. How this will change both during recessive times and through mergers are vital. Other factors are how consolidation and restructuring affect the commercial and operational aspects. Also, how human resource and its value, symbols and visions inside a firm will be affected.

In short, this thesis concerns issues regarding, merging, owner and leadership, commercial and operational aspects. Also, subjects regarding values, structure, culture, symbols and future outlook.

1.4 Research problem

Through a wide and systematic research, the objective is to produce good and solid information regarding the subject of mergers within OSV-companies. The thesis is answered in regard to the following research question:

“The recessive years in the offshore industry has affected OSV-companies to merge with one another. Further, restructuring is taking place within several of the companies. How are mergers and restructuring affecting the Norwegian OSV-companies, both today and moving forward.”

2. Literature review

In this chapter I will elaborate relevant theory to gain a solid understanding of the different issues ahead. The topics that will be described is; The phenomenon of merging, how ownership and leadership is influenced, HR, structures, symbols and culture within a company. In addition, I will describe further how commercial and operational aspects are changing today and moving forward.

2.1 Merging and acquisition

It is important to separate the terms merger and acquisitions. According to Sander (2017) merger may be defined as: “The merging of two or more separate entities to a common legal owner unit”, while an acquisition can be considered as: “The purchase of an organization from another where the buyer will retain control of the company.” One can also discuss why companies want to merge and there may be several reasons. Among these are; Due to economies of scale, synergies, access to lack of resources and expertise, market access, strategic advantages in terms of lasting competitive advantage and increased profitability and market power (Sander, 2017).

In mergers literature, there are a few different types that describe the difference regarding merging. These could be horizontal or also called related mergers, which could be considered as two or more firms operating in the same market merge with one another and the strength of the market increases (Dargaud & Reggiani, 2012). For instance, a merger between Solstad Offshore ASA and Farstad Offshore ASA, whereas both companies operate within fields concerning Offshore Support Vessels, is considered a related merger. This can be viewed as an opportunity to achieve more expertise, a larger customer base, economies of scale and better resources. Mergers and acquisitions that has been made in the offshore industry is due to a lack of resources and capital within the different companies. Several

owners have felt that the company has been "robbed" in numerous ways. Thus, there are both positive and negative sides around the concept of mergers and acquisitions (Sander, 2017).

Another type of merger is vertical mergers, where companies in various parts of the value chain in the industry merges. This could be, for instance, downstream to the customer or upwards to the supplier. Moreover, there are conglomerates mergers, which can be considered as unrelated mergers and acquisitions. For instance, when two companies operating in two entirely different and unrelated businesses decides to merge. Also, there are concentric mergers, which combines organizations from different but related industries, for instance, if a company wants to expand their operation to other areas (Sander, 2017) (Enehaug & Thune, 2007).

Considering that the scope of this thesis is about OSV-companies merging, the horizontal is suited as the most relevant regarding the types described above. Hence, there are companies working within the same industry and field that tends to merge with one another.

2.2 Owner and Leadership

2.2.1 Ownership

Back in the 80's, when OSV-companies began to flourish, there was another type of ownership that was common. The Norwegian companies have always had expertise and proximity to the market, but the ownership itself was not the way we are used to today (Ryggvik & Smith-Solbakken, 2018). In Norway, the use of a "kommandittselskap" (KS) was the preferred way of acquiring external equity. A KS has a similar structure as a fund, but the benefits were that the profits was tax-free as long as it was reinvested within a specific period. The backside of this investment method was that it was invested in ships without sufficient analysis of the technical aspects of the ships. Hence, people who had capital, such as doctors and lawyers tended to invest. In 1992 there were new tax arrangements in Norway that saw

that shipping was taxed similarly with other industries. This meant that KS became less attractive as a source of funding for shipping companies (Klepsland, 2011).

After KS, OSV-companies started to look more to the stock market. In the early 90s there was several share-issues among offshore companies. It became more common for the companies to be listed in the stock market during the 90's and ASA became common for OSV-companies in the years ahead. Today, the most known OSV-companies who operates in the offshore industry is a so-called public limited company (ASA).

The role of the owner is critical in all businesses entities, whether it is a start-up company, a publicly traded company or a family-controlled business with a history that stretches over several generations. Ownership is an important factor when focusing on OSV-companies in the Norwegian offshore industry. For years, it has been common with family-owned companies, with boards consisting of family members and people with strong ties to the company. Bøhren & Berzins (2013) professors at BI business school states in a research that more than 2/3 of Norwegian corporations, is family owned, whereas the family members own more than 50% of the shares. There have been studies that shows that family-owned businesses are stronger, more profitable and their performance has proven to be clearer, longer-lasting and more sustainable than non-family owned businesses (Bøhren & Berzins, 2013) (Anderson & Reeb, 2003).

Empirical studies have concluded that the very foundation for building a family business over generations depends just on how the relationship between family and business is solved (Sharma, 2004). It turns out that having a proactive relationship when you draw the family dimension into the management of a business, is critical regarding this relationship. Thus, making them more suitable to deal with conflicts that may arise. Family businesses are forced to have more at stake, considering they are both family, a business and owners at the same time (Eilertsen & Hennig-Olsen, 2013). Family business might be described as the

opposite of *agency theory*, henceforth the managers put their interest in front of everybody else. The other way around you have *stewardship theory*, where the managers put the company before their own interests (Hernandez, 2012). By looking at how OSV-companies have been ruled and managed over the years, it has proven to be strong ties attached to local values and clear visions, which in many ways can be viewed as a strength for companies that are family-run.

However, if one tends to consolidate with another company, the family-run companies tends to dissolve. As it has shown that these business models have had a feature that has given stronger competitiveness, contributed to faster decisions, as well as a better overall performance. With consolidation, bigger companies and more globalization within the offshore industry, OSV-companies might run into a future of uncertainty regarding ownership. The ownership within OSV-companies could have a tendency of becoming more fierce, cost-effective and ruthless. Whereas local values, proximity and history is not considered as favourably as before.

2.2.2 Leadership

Leadership in a company is an important factor for success. When two companies merge, or new staff are employed, there are new roles and different cultures that has a tendency to crash. Thus, it is essential to describe how leadership is considered in an OSV-company. Colbjørnsen (2003) argues that several organizations have gone from hierarchical structure to a smoother structure in recent decades. This is especially true in democratic countries such as Norway. During the 90's, more information societies emerged, that has made a smoother structure more common in the industrial community (Colbjørnsen, 2003). Hence, leadership within OSV-companies in Norway can be considered leaders most concerned with the staff, personnel and the relationship between them. In smooth structured

organizations, the characteristics of the leadership role will change significantly in relation to the more traditional hierarchical leadership role. The manager tasks will primarily be the same, but the way one performs these tasks will be different within a flat-structure. A move from transaction-oriented management which can be seemed as control to a more transformation-oriented management which is similar to a common vision (Bass, 1985) (Mujic, 2013).

According to Collins & Porras (1994) they reported that successful companies, such as Sony had neither a clear vision for their company or even a product in mind. They were “clock builders” which means they focused on building an effective organization (Collins & Porras, 1994) (Bolman & Deal, 2013). This has shown to be an effective way of approaching different issues regarding leadership.

Reflecting on OSV-companies, the structural leadership is arguably the best fit. During restructuring of organizations, a leader does not succeed as of inspiration, but because they have the right design, at the right time and they are able to get their structural changes implemented. Bolman & Deal (2013) argues that effective structural leaders share several characteristics:

- They do their homework
- They rethink the relationship of structure, strategy and environment
- They focus on implementation
- They are efficient, and are not afraid to experiment

However, during consolidation, uncertain times ahead, restructuring and so on, the leaders in an OSV-company are vital to succeed in such a competitive arena. Therefore, an intelligent leader should be able to understand their own strengths, work to expand them and build diverse teams that can offer the organization higher value today and moving forward (Bolman & Deal, 2013).

It is interesting to see what sort of leadership is becoming more common for OSV-companies moving forward. With more cost-efficient operations, along with bigger companies, Bolman and Deal (2013) argues that these are factors making it more hierarchical. Considering what has been in the Norwegian offshore industry, with a rather smooth structure, moving forward, it could be owners and managers operating in other countries, or banks with a lot more control. The hierarchy will by all means have a tendency of becoming more apparent. There has been a lot of research on hierarchically controlled companies in recent years. Little of that recent research has actually examined hierarchy on the group or organizational levels, assessing how differences in hierarchy steepness impact the entire collective. Yet, Brown & Anderson (2010) argues that if an organization has a steep distance between the sections within the organization, the more difficult it is to have good communication flow and dialogues between employees. However, in some organizations clear roles such as a steep hierarchy can help benefit the organization (Anderson & Brown, 2010). Thus, it is important for offshore companies to find a balance through restructuring and mergers, which can help leadership and management to be optimal.

2.2.3 Stewardship vs. agency theory

Throughout organizational changes within OSV-companies moving forward, it is interesting to see what types of organizations and leadership will be common in the years to come. As previously mentioned, the terms "stewardship" and "agency" theory are common to use to describe how the relation between leadership and organizations are solved.

Vallejo (2008) argues that strong commitment towards the company is more common within family owned businesses. Furthermore, he states that aspects concerning this type of ownership, is the basic characteristics for a steward relationship. According to the theory behind the steward, is that the behaviour is considered as collective, given that he seeks to

obtain the objectives of the organization. Hence, where he usually sets the organization in front of his own self-centred purposes. A steward protects the company, hence, its values, history and vision. The steward is known for pleasing the willingness of the shareholders when making decision regarding the company. A steward protects and maximize organizational performance, thereby the interests of the shareholders (Davis, Schoorman, & Donaldson, 1997) (Vallejo, 2008)

Regarding the agency theory, it centres around the “agent”. In other words, it is more beneficial for the individual than for instance a whole group. Pepper & Gore (2012) argues that agency theory provides a better framework regarding compensation, within a firm. Meaning if for instance an OSV-company benefits on commission, the behaviour concerning individual’s performance would most likely enhance (Pepper & Gore, 2012). Within family businesses, Vallejo (2008) argues that it is more stewardship, where the employees aim to work towards the same goals.

With reduction of family owned businesses within OSV-company, the future concerning the behaviour are not easy to predict. However, considering the theory, regarding steward vs agency, there shows a trend where agency will be more common. Hence, companies have become more cost-oriented and efficient. Therefore, OSV-companies are dependent on individual performance. Nevertheless, it does not mean that teamwork towards the same goal will vanish. With organizational restructuring and merging within OSV-companies, the balance between stewardship and agency will certainly be changed moving forward.

2.3 Commercial and operational aspects

The recent mergers have not been voluntarily for numerous companies. Whereas, people as billionaire Røkke and “shipping tycoon” Fredriksen who are key-players within some merges, got in via a dept-for-equity swap and additional share issue (Fouche & Saul, 2017). A dept-for-equity is defined by Investopedia as a refinancing deal, where a debtholder gets an equity position in exchange for elimination concerning the debt (Investopedia, 2018). This has been normal for debt-worn companies, and these swaps has become common. These changes might impact the whole structure of the offshore segment moving forward. There are both pros and cons concerning this. The merging of two or more offshore companies will in most cases lead to the clash of organizational culture, which may lead to a threat against the effective daily operations and also conflicts between the offshore crew. Sufficient examples have implied that merging with low-qualitative integration will potentially lower the overall competitiveness of the company in the market. Nevertheless, it might strengthen the company, given that they are able to get a bigger market share. However, Meling & Møkster (2017) argues that there still would be able for small enterprises to get contracts (Sysla Shipping, 2017).

Eriksen (2016) argues in the article from Sundberg, Lorch-Falch & Gjendem (2016) that the competition in the offshore market will change moving forward, with lower cost level, more efficiency and more expertise (Sundberg, Lorch-Falch, & Gjendem, 2016). Thus, mergers have shown to be an important and not the least a necessary process in an industry that has occasionally lacked efficiency, capability and proficiency for years. In addition to the above factors, Eriksen (2016) also claims that the industry needs consolidation and restructurings. When Rem Offshore was bought by Aker-owned Solstad Offshore ASA, Eriksen stated that *"it is a small piece in a bigger puzzle"*. Much indicates that the industry

will move into a future where there will be less players, and smaller offshore companies will have a tendency to disappear moving forward.

Another factor considering the commercial and operational aspects are the new optimism within the sector. Optimism can be considered as highly valuable for every struggling industry. It is viewed as an influence for investors to invest more within the industry. Harald Serck-Hanssen (2018), chief executive of DNB, emphasizes that restructuring will continue within the industry. Nevertheless, after a "*glaring optimism*," the desire for investments will be greater in the future. He points out that the worst time is over especially for oil service companies (Nilsen, 2018). Optimism can be seen as a strong factor for OSV-companies to create even more value in the future.

Concerning the fleet within the offshore-sector, it has shown to be a clear abundance (Norwegian Ship Owner Association, 2017). Due to the low oil price, which has been a leading factor to unbalance between supply and demand, the industry has suffered. It has become more common to sell second-hand vessels to non-competitive markets, given the abundance of fleet in the sector. This can be a factor helping the industry to become more balanced. Also, the order book for newbuilding's in the offshore sector has gone down drastically the recent years (Norwegian Ship Owner Association, 2017). The shipbroker company Clarkson Platou (2017) argues that the operational aspect and number of fleets in the offshore industry indicates to be flatter in the future. Henceforth, to be a driving force towards a more balanced market moving ahead (Strandli, 2017).

2.4 HR, restructuring, symbols & culture within a company

2.4.1 HR and its value

“Our most important asset is our people” (Bolman & Deal, 2013, p. 113). Human resource (HR) focuses around how different organizations use people inside the company as a resource. By using HR, the main objective is to motivate employees to increase their potential and effectiveness, whilst encouraging them to achieve more. Often in companies they rely on ancient and old-fashioned working material and practises. This might have a bad influence on the personnel, so by having an HR management or an HR practice within the company, could prevent this (Bolman & Deal, 2013).

If a company merge with one another, the balance between the personnel to do assignments within the company is important. HR could be crucial during a merging to prevent culture crash and to attain and balance personnel motivation, individualism and teamwork within the organization. If the workers get an assignment they do not appreciate they might feel neglected or oppressed. When this occurs both the worker and the company can suffer. A scenario might be that the personnel works against the company, and this can massively be weakening it. Therefore, a good fit for personnel would benefit the workers and the company as a whole (Bolman & Deal, 2013). Moreover, there are a few key factors that could be consider as basic HR strategies to better implement consolidations within OSV-companies. According to Bolman and Deal (2013) these are:

- Build and implement an HR strategy (develop a shared philosophy, systems and practises)
- Hire the right people (know what you want, be selective)
- Keep them (rewards, protect their jobs and share their wealth)
- Invest and empower them (invest in learning, provide information, encourage autonomy, redesign work and promote impartiality)

- Promote diversity (be explicit and consistent about the organizations philosophy)

2.4.2 Restructuring

Restructuring is an important part through merging processes and for OSV-companies that have been through lay-offs and termination of employees. It can be considered as a challenging process that takes both time and resources without any guarantee of success. Bolman and Deal (2013) argues that organizations are typically going through this when companies have major problems, or they see opportunities. For Norwegian OSV-companies, there have been hostile mergers and acquisitions. Whereas it has turned out that ship-owners have been deprived of their own company. Hostile takeovers occur when a corporation takes control against the other companies will. By doing so, the support of management is not always willingly, however, the shareholders and other interest might want it. (Gaughan, 2005) These types of takeovers have been usual in numerous companies in the offshore business, such as Rem Offshore and Farstad Shipping.

Furthermore, there are some essential principles for companies to successfully enhance a restructuring process. Bolman and Deal (2013) has looked at Citibank, Beth Israel and Ford Motor Company and what they did to achieve effective structural changes. The following principles are:

- Carefully studying existing structure and processes to understand how it works.
- New conceptions, goals and strategies adjusted to the challenges at the time.
- New structure regarding changes in goals, technology and environment
- Experimented through the structuring process, what worked and what did not.

2.4.3 Symbols & Culture

“An organizations culture is revealed and communicated through its symbols”
(Bolman & Deal, 2013, p. 248).

Through rough times, it is difficult to build symbols and a strong culture within a company. Mergers will be a strong factor that puts company's myths, history and pride at stake. Most OSV-companies in Norway are built on tradition, trust and family dignity. When companies risk having new owners and managers, the company's symbolism and culture will quickly be affected. Bolman & Deal (2013) argues in the subject concerning symbols and culture that culture forms the superglue that bonds an organization, unite people, and helps the business to complete required ends. By having a relationship and good knowledge of your own company could be a boost to provide more as an employee. The company you work for usually communicates through who you are and the values it represents is something the staff appreciates.

Myths, values and vision could bring cohesiveness, clearness and direction in times of confusion. Ceremonies or social gatherings provide for celebrating success. Metaphors and humour could play an important role of the cruelty of facts and logic. Symbolic forms could be considered as the basic elements of culture and over time the core of an organizations unique identity and character (Bolman & Deal, 2013). Considering merging and acquisition, the connection between symbols and culture is arguably at stake.

3. Methodology

Through research, there are several methods that potentially could be followed. This chapter contains arguments regarding which methods that are being used, in addition to arguments towards those methods that are not as relevant for the thesis. For my part, it is important to write this subject towards the task itself and make it directly relevant concerning the research problem. The different topics and subjects that will be described in this chapter are: A case description, research strategy, data collection with limitations, data analysis, reliability and validity.

I would use different methods literature, however, Frankfort-Nachmias, Nachmias & DeWaard (2015) “research methods in social sciences” and Tjora (2017) “qualitative research methods in practice” are literature I consider as highly applicable. This literature can be described as original, related and up-to-date. I will also use other relevant literature to get a worthy and solid chapter concerning the method subject.

3.1 Case description

This thesis concerns the Norwegian offshore industry and the OSV-market in particular. It can be considered an industry that has been one of the most important for Norway and their welfare the last decades. The Norwegian offshore industry is largely located in so-called clusters on the west coast of Norway. Reaching from Hammerfest in the north of Norway and all the way to Kristiansand in the south. In addition, there are both oil service companies and shipping companies with high expertise both in Oslo and countless cities on the coast. Through a long tradition and strong innovation spirit, Norway has built itself to become one of the most sophisticated offshore operators worldwide. With values and pride that extend far back in time, the industry has been important for local workplaces around the country. In addition, it has been an industry that has made Norwegian offshore operators as

one of the most innovative and future-oriented companies within shipbuilding technology and offshore-related operations (Ryggvik & Smith-Solbakken, 2018).

They have been major players regarding advanced offshore vessels, such as Platform Supply Vessels (PSV) which ship goods to and from platform installations in the North Sea. In addition, Anchor Handling Tug and Supply (AHTS) and Subsea ships are also built for advanced offshore operations, such as rig move and underwater installations. The Norwegian shipping companies have been pioneers regarding advanced offshore vessels and expertise in this field. However, recently, the industry has been through recessive years. After the oil-price started to drop in late 2014, the oil-companies has struggled massively to regain themselves to where they were. It has not been profitable to harvest oil from new-installations with low oil prices, as a result, the exploration activity has dropped. Henceforth, the supply and demand has become unbalanced. Several ships have been in lay-up and restructuring and mergers have become necessary for OSV-companies in this segment (Norwegian Ship Owner Association, 2015).

Within the Norwegian offshore sector, mergers have become a solution for several companies. As more firms have not been able to pay their loans and the industry has been in a recession the recent years, merging has been viewed as an opportunity. The largest that is had a major impact on the industry is the merger between Solstad, Farstad, Rem Offshore and Deep-Sea Supply. It has made the company become bigger globally and is making them more economical sustainable to face the years ahead. By going through a consolidation such as this, they have several cost-cutting initiatives implemented;

- Onshore staff reduced by 80 persons and corporate functions centralized
- Combination of offices in Rio, Singapore, Perth and Aberdeen
- Improvement of internal processes and procedures
- Positive feedback to the merger from key-clients (Solstad & Haal Jomaas, 2017).

This shows that the companies have recovered from tough times, and mergers have proven to be a good method for businesses struggling in the offshore industry.

Correspondingly, the industry has been able to make use of cooperation with companies in their own proximity and have collaborated with each other. In addition, there have been major acquisitions and unwanted restructurings, and several jobs have gone away through these tough times. Thus, I have chosen to write about how restructuring and mergers will affect the OSV-companies both today and moving forward. The main scope of this thesis is to investigate the possibilities and prospects concerning OSV-companies working in the Norwegian offshore sector. Subsequently by investigating factors which concerns the organizations of the companies, what has changed from previous years, then towards what it is today and in the future. The key is to find out how the OSV-companies will be organized, managed, operated and what vision and values it will stand for moving forward.

3.2 Research strategy

In this chapter, there are two different research strategies that should be mentioned. They are *qualitative* and *quantitative* strategies. Both of these methods are common to use in a research assignment, and they both have their functions related to the collection of data.

Tjora (2017) states in his chapter regarding qualitative research, when considering this, it is important to emphasize how this differs from quantitative research. A number of conditions are then highlighted, such as emphasis on understanding and proximity to those who are being researched. In addition, an open interaction between the investigator and informant is more important than distance to the respondents, as well as data in the form of text instead of numbers. Qualitative research can be described as an inductive (exploratory and empirical) procedure instead of a deduction (theory and hypothesis driven). Also, regarding the fact that qualitative studies tend to relate to an interpretative paradigm, often

focusing on informants' experience and opinion formation, and what kind of consequences opinions may have. Furthermore, it is important to mention that qualitative research can be viewed as diverse as it is characterized by a lot of empathy and creativity, but also structural and systematically (Tjora A. , 2017).

Quantitative research is considered to be deductive. Researchers deals usually directly with operationalization, the manipulation of empirical variables, prediction and testing. For my thesis this is not particularly appropriate. Since I do not test any particular variables or manipulate the informants, nor have I done any predictions or hypothesis towards the research question beforehand. Thus, quantitative research places great emphasis on areas such as methodology, statistics and procedures. Frankfort-Nachmias, Nachmias & DeWaard (2015) argues in their chapter writing research reports that quantitative research should be:

“Organized to show a clear progression from theory to operationalization of concepts, from choice of methodology and procedures to the data collected, from statistical tests to findings and conclusion” (Frankfort-Nachmias, Nachmias, & DeWaard, 2015, p. 426).

In this thesis I am relying on qualitative research. Considering that I rely on getting unique information from people working within the offshore industry. Thus, I am studying information from people who know the industry, as well as the selection of my informants is pointed and not a random selection, it is a qualitative approach that suits as the best fit. The topic concerning merging and restructuring can be described as highly volatile, and fresh data can be viewed as significant and highly meaningful within this subject. Therefore, it is definitely a qualitative research method that are the appropriate fit.

3.3 Research design

Through the topic of research designs it is important to note that there are different ones that can be used. The different designs I will explain sufficiently in this chapter are:

- Experimental
- Cross-sectional
- Longitudinal
- Comparative
- Case study

Both Bryman & Bell (2015) and Frankfort-Nachmias, Nachmias & DeWaard (2015) argues that these are vital regarding research design. I will furthermore consider everyone concerning this thesis and argue why they are relevant and likewise why someone is not.

Experimental designs help researchers to apply control over variables, and this strengthen the validity of causal inferences (internal validity). Also, experiments allow researchers to control the introduction of the independent variable, so one can determine the direction of causation. This type of design could be described as frail, as they do not allow researchers to replicate real-life situations. Concerning the design within this thesis would not be possible (Frankfort-Nachmias, Nachmias, & DeWaard, 2015). Hence, the complexity of the offshore industry, there is no way the researchers could control any results regarding the question at hand. Thus, this is not an applicable design for this thesis.

Cross-sectional design is considered as one of the most usual designs within science and is regularly employed in survey research. Researchers ask a random sample of people a set of questions about their backgrounds, experiences, attitudes and so on. Some studies are concerned with creating causal relations, however, cross-sectional studies are purely trying to describe relations between different variables. It allows the researcher to do real-life setting probability samples, hence increasing the external validity of the study (Frankort-Nachmias,

Nachmias, & DeWaard, 2015). This approach could be applicable concerning this research, if I for instance compared different industries regarding my research problem. However, I am focusing solely on the Norwegian offshore industry, and the scope of doing a cross-sectional design is in my opinion too wide.

Longitudinal study is usually generated over a longer period of time, which will give us information about how different phenomena (or what we are interested in to research) changes over time. The goal is to research aspects such as development and change (Tjora, 2017). In longitudinal studies it will be easier to get an overview of the course of events and you can clarify as to what is the cause and effect. Using a longitudinal study in this research, is in my opinion, not very efficient and prudent, since there is limited time spent. However, if the time-scope had been longer, I could, for example, ask the same questions I have used in the interview-guide at different eras. However, this method is not applicable concerning the research at hand.

Comparative research design is based on comparisons and analyses of similarities and differences between observed phenomena within a defined field. For example, in social sciences, where the method is frequently used, different types of society, development research, ethnical conflicts and political systems represent the analysis area (Bryman & Bell, 2015). The comparative method has become more common in recent years. As it is often used through development research in studies and modernization processes. Regarding the offshore market, I will consider a comparative research design not adequate. Since the OSV-market is a relatively new segment concerning offshore operations. Hence, I would rather use a comparative design on more mature and established markets, where earlier data could be better examined and analysed, such as in the bulk market. Also, the time-scope regarding this thesis, the comparative design is not considered as very sufficient.

A case study design is described by Bell (1999) as suitable for individual researchers, when it gives them an opportunity of one aspect of an issue to be studied in depth, with a limited time scale (Bell, 1999). Case study is used to examine one – or more cases to enhance a better understanding of the complexity of the given subject, it could be a person, company, industry and so on. Tjora (2017) describes a case study as "a survey done in a situation / place / entity that has a natural appraisal, independent of the research project, such as an organization or institution" (Tjora, 2017, p. 256).

Looking at what describes a case study it is appropriate for the selected issue and the thesis at hand. Because I write on my own, have a short timeline and that I emphasis on a particular industry, with the offshore market in focus. Also, the way I conduct interviews with relevant people working within the industry, the complexity of the question at hand and the natural appraisal fits good within the scope of a case study. There is also a limitation in my thesis, as I focus on mergers and company structure. In short, this master thesis can be described as a case study design.

3.4 Data collection

The data collection concerning the thesis is done by doing semi-structured in-depth interviews with persons working in the Norwegian offshore sector. As mentioned, I am looking for unique information, and Tjora (2017) argues that this kind of data retrieval is suitable in terms of the thesis. Concerning data collection, to be aware of research ethics is critical and I will discuss it sufficiently in this chapter.

3.4.1 Limitations considering data collection

The data collection is done in the best possible approach, considering some limitations. I have been in contact with several relevant people working in the industry. I

discovered that obtaining relevant persons to meet for an interview is easier said than done. For the best possible acquisition of data, I undoubtedly should have conducted more interviews. However, the ones I have conducted, has been helpful and arguably can be considered as highly trustworthy. Considering the thesis concerns consolidation, I would like to have contact with more people who have worked directly with it. I have interviewed a few people who have, nonetheless, the more people, the better. In total I have five informants (see table 1), all with solid knowledge within the Norwegian offshore market. The strength of the various informants is that they all have different positions and backgrounds. Consequently, it is possible to find out if there is consensus or disagreement among the informants. The data collection made through the interviews covers a wide range of expertise, subsequently with people from offshore companies, banks, academia to brokers.

The scope of this thesis involved the OSV-market and the offshore industry in Norway. The informants have usually been people working in the Sunnmøre Region, considering my limitations regarding travel, time and expenses. Also, there are some informants working from Oslo. This could be a factor considering the results, hence, they could have another way of looking at the offshore market if they were from southern or northern part of Norway. Nevertheless, regarding trustworthiness and dependability, the geographical locations of the interviews does not change notably.

Regarding other sources, such as books, research articles and so on. In a volatile market, as the offshore industry is, I have deliberately used new and up-to-date sources. Hence, I have used annual-reports from different players in the offshore industry continuously, along with other relevant research papers and books about merging, acquisitions and company structure. Also, a few websites such as E24, Sysla, SMP and DN are used. However, these are not used to state any facts, but to get a better understanding and discussion concerning the topic at hand. Nevertheless, these are rarely used. Other literature is

concerning methodology, and the literature is well-thought-out, modern and highly applicable regarding my methodology approach.

Table 1 – The Informants

Informants	Occupations
Informant 1	CFO – offshore company
Informant 2	Banker working within offshore & supply
Informant 3	Ship broker analyst
Informant 4	Broker within offshore support vessels
Informant 5	University lecturer within shipping & offshore

3.4.2 Semi-structured in-depth interviews

The scope of in-depth interviews is essentially to create a situation for a relatively free conversation that revolves around some specific themes the researcher has decided. By creating a relaxed environment and a fairly open timeframe, it is intended to get the informant to reflect on their own experiences and opinions related to the topic of research. One could say using such an interview is to study opinions, attitudes and experiences. In situations where one wants to explore the nuances of experiences, in-depth interview is appropriate. In studies of organizational changes, which is studied in this thesis, is a suitable method. I can get opinions around how they have experienced changes, how issues have been addressed and how it is working in the offshore industry. The interviews are not only about informants but can also be used to understand the informants as individuals (Tjora, 2017).

An important requirement for success with the interview itself is to create a relaxed atmosphere where the informant feels it is okay to speak openly about personal experiences.

What I did was start to greet one another, talking about informal subjects concerning topics as sports, the weather, common interests and so on. This helped build a relation between myself and the informant. Otherwise, we both drank both coffee during some interviews which can be considered a non-hostile environment. What I did before each interview was to say that if you do not know the answer to some questions, just say so, the questions at hand covers a big range of expertise. This is to help the informant to be more comfortable and not to be pushed during the interview.

In order to facilitate a relaxed environment, it is important that the interview is in a place where the informant feels safe. For instance, in the office of the informant. In addition, to let the informant decide where the interview should take place and at what time (Tjora, 2017). Throughout the interviews, I used audio recordings, which is incredibly beneficial. Then we could have an open conversation and I could transcribe the interview afterwards. In this way, I did not miss any significant information.

In order to maintain a good vibe between myself and the informant, I deliberately raised quite open questions. (See appendix A) Then with room for opinions and views. In each interview, I asked for multiple follow-up questions regarding critical subjects in a friendly manner. I would avoid reprimanding the informant. All in all, the interviews went well and the information I received was unique and useful for the continuation of the thesis.

3.4.3 Research ethics

The term research ethics refers to a wide variety of values and norms that help constitute and regulate scientific activities. Research ethics is a codification of scientific morality in practice (The Norwegian National Research Ethics Committees, 2016). Aspects such as trust, confidentiality, respect and mutuality must constantly be present during the contact I have with my informants. How I behave will affect the communication, regardless of

whether I write an academic text about them or not. Trust is an important part through relationships and communication where mutual respect is expected. As qualitative research is often done through direct contact with the informants, common courtesy is a good starting point for ethical research (Tjora, 2017). According to Bryman and Bell (2015) they need to know the consequences concerning the interview. Everything they say and do is voluntarily and that they understand what they say yes to, meaning that I have to make it clear to them.

Tjora (2017) argues that research ethics is mainly related to the informant not being "hurt". In research, one usually does not conduct experiments that could harm the participants. Nevertheless, it is important to avoid questions that include difficult and personal matters during an interview situation. When sensitive topics are addressed, anonymization is incredibly important. To make sure that the informants themselves feel confident about anonymization, it may be an idea to let themselves check that no details make them recognizable to a reader. I was alarmed concerning this, so I asked them to keep out stories concerning personal experiences with names, other companies and so on. If something were mentioned, I did not mention anything concerning that in this assignment. During a semi-structured interview there is always a tendency of going off-topic, making it room for personal interferences and stories.

Before every interview I have always focused on informing the informant of the ethical aspects. I am making clear that I do not use names, or where they have attended school or what company they are working for. If any personal information was mentioned on tape, I made sure to the informants that it would not be mentioned in the transcript or the thesis. In essence, I am looking for the knowledge the informant beholds and want to process the information in an honest, trustworthy and sufficient way.

3.5 Data analysis

The qualitative analysis aims at enabling the reader of the research to gain increased knowledge about the area under investigation. The actual analysis consisting of the data attained, will be elaborated under the findings and results part later on in the thesis. In this chapter I am describing how I will analyse the data I have gathered. As there are several considerations to be contemplated, it is in the analysis phase that the researcher must really use his intellectual capacity and creativity. That is, for my part, to work systematically, scientifically and precisely. It is in the analysis section that the potential for qualitative research lies and where several projects tends to fail. It is essential that data obtained ends up as well-analysed, and not end up as a collection of data (Tjora, 2017).

It may be a significant hurdle getting started with the analysis part. I have spent much time designing a data generation schedule, interviewing, contacting relevant informants and so on. However, when that is done, it is the analysis of the collected data that must be worked towards. Thus, my analysis part started during the interviews I conducted, there was always room for follow-up questions, which meant that data retrieval was done thereafter. After each interview, I transcribed the audio recordings into a Microsoft Word document and the actual encoding started. Encoding is a vital step of the data analysis.

3.5.1 Coding

There are two coding processes that I have considered, they are inductive and deductive coding. Deductive allows the researchers to use theory to construct response categories before they administer the instrument to the respondents. I would not consider deductive as appropriate for this thesis. Hence, deductive is more used on analysing quantitative data as mentioned underneath the chapter of research strategy. The data collection in this thesis is based on qualitative methodology. In contrast to deductive coding,

inductive is a method in which the researcher designs the coding scheme himself (Frankfort-Nachmias, Nachmias, & DeWaard, 2015). For instance, semi-structured interviews, data from documents or data collected from observations of individuals.

I will consider my strategy as pure inductive. As I am looking to extract the essence of the information I have received through interviews with relevant informants, reduce the volume of the matrix of the information and facilitate the creation of ideas based on empirical details (Tjora, 2017). The way I have decided to process the different data is to create codes, that is, words, paragraphs or sentences. Hence, gone through the entire document adequately, before proceeding to the next document. In this way, I work through all the data I have collected, and then produces a list of codes, all of which are generated inductively. After doing this thoroughly, I could understand the essence and draw threads or conclusions of what the informants thinks or believes concerning the different topics in focus. This way has proved to be quite effective concerning this thesis. I believe that the information the informants have discussed and debated, have been processed and managed in a respectable and sufficient way.

3.6 Validity and Reliability

In this section I will explore the topics of validity and reliability regarding the data in this thesis. The two terms can be outlined in different ways, and I will go further into what characterizes each of them.

3.6.1 Validity

Validity is concerned with the question “Am I measuring what I intend to measure?” (Frankfort-Nachmias, Nachmias, & DeWaard, 2015, p. 131).

Regarding validity, the researcher is never completely sure that he measures what he wants to study. In this thesis, for example, will the answers I receive through data retrieval materialize with the answers I want? Through validity, it is important for me to provide adequate instruments, such as good formulations that can research the variables I am working towards. The validity of what I am researching will be stronger if this is done in a sufficient way. There are three basic types of validity, these are content, empirical and construct validity. Each of them relates to a distinctive type of evidence, with a unique value under explicit conditions (Frankfort-Nachmias, Nachmias, & DeWaard, 2015).

Content validity, also called logical validity, is used to estimate how much a measure signifies every single component of a concept. There are two types of content validity: face and sampling. Face validity relies on the investigators subjective evaluation of the instruments appropriateness. Sampling measures the questions or indicators constituting the instrument adequately represents the qualities measured. Empirical validity is concerned with the connection between a measuring instrument and the outcomes. There should be a strong correlation between the results it predicts and the results it acquires. Empirical validity could be supported by comparisons with measurements made by others. Construct validity is established by relating the instrument to a general theoretical framework (Frankfort-Nachmias, Nachmias, & DeWaard, 2015).

As this thesis is based on qualitative data acquisition in a volatile market, which the OSV-market is considered to be. The definition validity is more suited within a quantitative research paper (Leung, 2015). Lincoln and Guba (1985) have used definitions such as credibility and trustworthiness around scientific research (Lincoln & Guba, 1985). Considering the approach, I have regarding the data retrieval, and as information and opinions materialize with the way the market is, the definition validity is in my opinion not a suitable

fit. The definition this thesis could be described more as, are in the style of credible and trustworthy, thus it is a qualitative approach within a volatile industry.

As there is a limited database this thesis is based upon, one can discuss the validity around them. For example, if I had done more interviews. As well as being in contact with more people who work directly in companies that have been through mergers and restructurings, the emphasis on other themes could emerge. I would still argue that the data collected is good and credible concerning the research question. Given that all the informants are people with long, extensive and different experience in the industry.

3.6.2 Reliability

Reliability indicates the degree to which a measure contains variable errors. Researchers estimate it by one or more of the following methods: Test-rests, parallel-forms and a split half (Frankfort-Nachmias, Nachmias, & DeWaard, 2015). However, this is much more relevant considering a quantitative research method. In a qualitative research approach, reliability could be considered as both challenging and counter-intuitive (Leung, 2015). A certain margin is allowed in qualitative research, provided that it happens within a certain scope, and there are similar dimensions concerning the findings. Silverman (2009) proposes a few approaches which enhance the reliability concerning qualitative methods. These are reputational analyses, constant data comparison, comprehensive data use, inclusive of the deviant case and the use of tables (Silverman, 2009). As data is gathered through informants with knowledge during this thesis, it is important to compare this against other informants and relevant theory if possible. Hence, to use references which are credible and comprehensive to have the highest possible reliability. For my part, I have always remained focused that my informants, as well as the data have gathered, are highly credible. In this way the thesis will have a higher reliability, and by the completion get a better end-result.

Regarding the questions asked, I have been looking for answers that are repeated among the various informants. In this way, I can see if there are different aspects that is highlighted by several of them. Even though I have asked quite open phrased questions, it was still possible to draw conclusions from the informants. Since I used audio recording, it was easier for me to find out what aspects they emphasized and what they did not.

4. Findings and results

This chapter presents the findings from the five informants who participated. The chapters are presented in accordance with the theory section, as well as the question raised during the interviews. The data obtained is analysed and presented in a manner to get the best knowledge of the topic at hand, along with what the informants emphasized on.

4.1 Mergers

Questions asked considering mergers where “why it is a solution” and “is it a last resort”.

Question 1: “*Why is it a solution.*” There are several different answers the informants underlined. However, there are also a few factors that several highlights and was repeated by multiple of them. First off, Informant 1 argues that it is because there are too many ship-owners within the offshore segment. Also, that it is more important with “*larger companies*”, hence making it easier to both sell and scrap when capital is needed. Every informant highlighted that larger companies has a strong influence considering the topic of mergers. Informant 5 argues that by having bigger capital and capacity is helping OSV-companies to achieve “*economy of scale*” advantages. Furthermore, the effect of having a bigger company, is helping the ship-owners to achieve a higher flexibility regarding crew and personnel utilization. This provides the ship-owners to have more expertise in both off-shore and on-land occupations.

Other answers highlighted concerning the first question is the power of the banks. Informant 2 and 3 are stating the fact that several OSV-companies have high debt, contributing to the “*power of the banks*”. Additionally, the two informant’s states that the banks have pushed out the solutions that could be considered as good. The banks are saying that merging and cooperation is the best option for OSV-companies to pay their interests and

loans. Also, Informant 1 claims that GIEK (Guarantee Institute of Export Credit) does not benefit from offshore-companies going bankrupt. Meaning they also have pushed to promote merging with other operators.

Question 2: *“Is it a last resort.”* The informants were somewhat undecided to if it was. However, Informant 1 said that it is a possibility to merge out, after a consolidation. Further, the informant continues that merging companies has history showing that it does not always have good sides, thus, they have a tendency of failing drastically in an early stage. However, banks are keen to write down losses, and both they and GIEK means that *“consolidation is the best option”*. Informant 2 said that it could be seen as the last resort and argues that it also can be seen as an *“opportunity”*. An advantage to create more, where for instance geographical location can be an advantage. They all agreed that it was a natural thing to do, considering the recession in the market. Informant 5 states that such a thing happens when a market has become mature, as history shows in other sectors. Furthermore, the informant argues that the offshore industry is *“fragmented”*, and a merger is a very common and natural way forward. To call it a last resort is possible, but difficult to answer, as there are even more exciting times to come. Every informant was sceptical to call it a last resort.

Considering the topic of merger, the informants outlined applicable matters and there were some factors that was repeated by several of them, and these were:

- The bankers and GIEKs willingness for offshore-companies to merge
- The benefits of economy of scale
- Higher flexibility
- Harsh times with low rates, making merging and consolidation natural

4.2 Owner and leadership

Regarding the subject of owner and leadership, which is a vital area considering the thesis, I asked the following questions to the different informants: “How will ownership change during a consolidation/merging”, “Will significantly larger companies affect the companies” and “If the OSV-companies will get strengthened concerning the recent recessive years”.

Question 1: “*How will ownership change during a consolidation/merging.*” The informants were more or less agreeing to the same issues. Informant 3 emphasizes that ownership of which management, will focus more on efficiency and become even “*more cost-oriented*”. This is backed up by Informant 2 who believe that the personal interest within the companies of the employees will not be equally focused as before. The informant continues that restructuring will be a significant part that will probably make it even more hierarchical than before. Informant 1 emphasizes that ownership can be ruled from overseas. The informant emphasizes that restructuring in the industry and lack of capital among local OSV-companies will cause much of the control to be eradicated from the owners. Then with the control of different funds in, for example, London. Hence, they will not underline the importance of the organization and how it was ruled and managed before.

Question 2: “*Will significantly larger companies affect the companies.*” The informants answer was in short yes. Larger companies will affect the OSV-companies a lot. Informant 5 argues that it will be a reassessment of the market power and argues further that in a market with more participations, as it has been in the industry, it is well functioning and open. In a market with fewer players, it will turn the industry into an “*oligopoly*” (an oligopoly is a market form in which the market is dominated by a few providers), and further the informant discusses that it will not be equally well-functioning. Nevertheless, the informant argues that operation will be even more efficient through larger companies and

larger organizations will provide rigid dynamics in the organization, which could mean the companies is becoming is less flexible. Consequently, it will be more distance between the departments within the company. And the family businesses will be at stake here, they will lose control of their own company, when they need capital from new financial institutions. Thus, it will give other sources power within the company. Informant 2 argues that there will be a “*better overview*” of both the market and the organizations. And this will also affect the oil service companies where competition will most likely go down.

Another concern Informant 3 highlights are that “*larger companies will provide greater negotiating power*” towards banks and suppliers. Also, even more expertise and well-balanced leadership. As you have more expertise within the shipping company than if you had been in a company that owns only two ships. What all the informers agrees about concerning the given question, is that there will be a new type of competition, better overview and owner and leadership will be clearly changed towards more efficiency and developed cost-based operation.

Question 3: “*Will OSV-companies get strengthened concerning the recent recessive years.*” The informants all thought it was a cliché to become strengthened after the brutal times within the industry. Nevertheless, to focus on the optimistic aspects of the topics of ownership and restructuring, there are a few upsides concerning it. An argument from Informant 2 is that it will not be strengthened in the “*short term*”, but in the long term. The informant continues, that it is important to sell older ships to non-competitive markets and there must be a balance between supply and demand. Of course, the recessive years have weakened the industry, and the companies will not have the same economy in focus on innovation and modernisation.

Informant 4 appears quite positive and argues that the organizational cost requirements are significantly strengthened, “*OPEX (Operational Expenditures) has*

improved” and B/E (break-even) has been lower both for ships and for rigs in the industry. This is backed up by Informant 5 who mentions that the industry has “*matured*”, and further discusses that a re-organization in the companies has been highly necessary. It has become a wake-up-call for the industry and points out that it has matured in recent years, and believes it is rationalized. It is also pointed out by informant 1 that we cannot call it “*directly strengthened*”, but there has been a clear distress for the industry. Several strong, skilled and hard-working people have lost their jobs in several companies, and there is very little capital left. Nonetheless, the informant also emphasizes that it is a good factor for the industry in the future, especially in terms of cost-effectiveness.

Hence, the topic of organization and leadership, the informants have had a trend of mentioning the same issues multiple times. The different point that the informants more or less have agreed to are:

- The owner and leadership are, and will be, more cost-effective
- Bigger companies make more hierarchy within the organization
- The family businesses are at stake moving forward
- Bigger companies will benefit the bargaining power of the OSV-companies
- Larger companies make more efficient operations within the organization

4.3 Operation and commercial aspects

The questions asked regarding operational and commercial aspects are: “how a merger will affect the operational aspects of the company” and if “the operational aspects will be more efficient”. The answers were somewhat in the same field, however, a few different angles were underlined.

Question 1: “*How a merger affects the operational aspects of the company.*”

Informant 4 argues that merging companies will have a much greater “*advantage*” than the

competitors. With broader contacts and knowledge within the company will be invaluable. The informants also emphasize that experience and flexibility will be greater. Informant 2 also highlights that merging will be an aid that makes the company much "*stronger*". In addition, they have an even greater flexibility, which means they get a more superior network and a better client portfolio. Which will enhance the company to achieve the most lucrative contracts moving forward. This statement is also supported by Informant 1 and 5.

Question 2: "*Will the operation become more efficient.*" The informants were agreeing that a bigger company will in most cases make the operational aspect more efficient. Informant 4 argues that there will be more "*efficient use of crew*", then with the usage of crew according to the assignments at hand. This statement supports both on-shore and off-shore tasks. The informant emphasizes also that the company will be even more flexible regarding this. Informant 2 underlines that when two strong investors merge or cooperate with one another, it will make the company "*too big to fail*". Thus, there will be such big values in play that if the market is ruthless, it is easier to find a solution than if the company was significantly smaller. The informant also emphasizes that it is better for an OSV-company to own 150 ships than for instance 4.

Viewing the results concerning the topic of commercial and operational aspects there are a few highlighted issues the informants reflected on:

- Merging will give higher flexibility and experience within the firm
- Mergers will strengthen the competitiveness of OSV-companies
- More efficient use of the resources within the company
- Larger companies are "*too big to fail*"

4.4 Restructuring, symbols and visions

Within the subject of restructuring, symbols and vision, the questions asked concerning it where: “how you think acquisitions, collaborations and mergers will change the companies internally and externally” and “do you have any thoughts on how mergers and the recessive times have affected OSV-companies vision and values”. Considering the wide scope of the questions raised, the answers given here where varied from the different informants.

Question 1: *“How will the companies be changed internally and externally.”*

Informant 1 argues that there will be another type of ownership. Furthermore, the informant builds on the fact that local shipping companies have always wanted to take high risk and the loyalty to their hometown has always stood strong. *“Loyalty”* has been an important term, but it is at stake in the future. Additionally, the informant argues that more *“jobs will disappear”* from the country. Informant 3 believes the companies will be more professionally controlled and emphasize that the companies will become more cost-oriented and efficient. In addition, that we will see more *“flagging”* of both ships, crew and management to other countries. This is also supported by Informant 4. Informant 2 argues *“that family companies will be diluted”* to a large extent. There will be large capital from strong investors, who are more cost-oriented and have no proximity to local values. They want to come in, make money and sell. Where relations with Norwegian jobs, traditions, visions and values will not be strong at all.

Informant 5 emphasizes that some operations, such as the management of PSV ships, will have a tendency to be flagged to other countries. However, the more advanced operations will still be ruled from Norway. In addition, the informant believes that the ownership has until now had local affiliation, but it only lasts until the OSV-companies starts hiring from other places, such as other countries.

Question 2: *“How mergers and the recessive times have affected OSV-companies vision and values.”* Informant 2 argues that the company value you obtain from a family

business is built in thriving times. Values must be worked with and it must be rooted within the corporation, and that takes time. Loyalty is a keyword and it is a term that will be at stake in times to come. Visions and values have been strong in family companies, as employees have a stronger connection with the company. The informant also emphasizes that *“loyalty will make you devote more time to the job”* and is a factor that makes you care more about the company. These factors are supported by Informant 4, who argues that if you have proximity to the company, you would have a larger interest working for it.

Informant 5 points out that research shows that mergers do not pay economically to start with. The informant continues discussing that there is a difference between people from Aalesund, Bergen and Karmoy. Hence, *“conflicts may occur”* within the company, and visions and values built from before will tend to disappear. Informant 1 thinks there will be changes. It is even more about making money moving forward. The big players are looking to buy when the market is on the bottom and sell out afterwards. There are *“no vision and values among them”*. Traditions built in, for example, "Sunnmøre", whereas the vision has always been to build locally and support local values. Nevertheless, the informant also points out that companies in Sunnmøre, such as Havila Shipping, have helped other struggling offshore companies who have been in need in the same maritime cluster. Thus, where they have bought shares in companies, to prevent them from going bankrupt.

Concerning the topic above, the informant has highlighted numerous important issues considering symbols, vision and values. There are some factors that had been mentioned by several of them, and they are:

- The term loyalty is at stake moving forward
- More cost-oriented companies, whereas flagging to other countries might be normal
- Family-companies will have a tendency of being diluted
- Less affiliation towards the company you work for

- Merging, acquisitions and recessive times will make terms as vision, symbols and values less important moving forward.

4.5 Future outlook

The reason I asked a question regarding the future concerning the offshore industry, was to see first-hand if the informants were pessimistic or optimistic. Also, if the informants claim that the mergers would have an impact on the future outlook.

Question 1: *“How you think the industry will look like in 3-4 years, in terms of company structure and players in the sector”*. The answers here varied quite a lot, however, there were some issues that was mentioned by several of them. All the informants agreed that it all depends. It is difficult to predict whether there is a rise or decline in the industry. Nevertheless, Informant 2 believes that there will be even more mergers if the industry does not get a quick boom. The informant continues to argue that it most likely will be though times in the short-term period, and probably a; *“new round of merging and restructuring”*. The informant also states that the restructuring that has taken place, has had a positive influence on the efficiency for both OSV-companies and the offshore industry as a whole. These claims are supported by Informant 1, who highlights the same issues concerning the futuristic aspects. Informant 5 argues that the number of players in the industry will *“not be as different as it is today”*. There may be a few more OSV-companies that disappear and emphasizes that the major shareholders in OSV-companies today may need to be rescued by new players. However, the informant states that it is hard to forecast, as oil prices and the balance between supply and demand are difficult to predict.

Informant 3 emphasize that there will be *“outsourcing”* of management, employment and charter sectors and argues that it probably will be more similar to traditional shipping. The informant also argues that there will probably be a new round of restructuring and

mergers. Informant 4 are agreeing to these claims; however, highlights that there will be” room *for innovation*” moving forward. If the market has an up-turn it will be possibilities for new players to get into the industry and also emphasizes that there will be fewer OSV-companies.

Considering the topic of future outlook, the informant did have a few different aspects. However, there were a few points that numerous of them mentioned and highlighted a few times, and these where:

- It points to a direction towards a new round of merging and restructuring, however if the industry is improving, not major changes.
- It will be less OSV-companies within the industry
- The industry has become more efficient, there is optimism in the long run, though some scepticism in the short-run.

5. Discussion

This chapter presents both the theory chapter along with the findings made from the informants. The aim is to get a solid discussion concerning the relevant topics regarding the thesis and the research problem. Note: Discussion concerning family businesses, steward and agency theory are in the chapter concerning restructuring, vision and symbols, not under owner and leadership.

5.1 Mergers

During the interviews that were conducted, the discovery considering the merging were in numerous ways similar to the findings done in the literature review. The informants argued that the benefits of economy of scale are important for companies to cooperate or to merge with one another. This claim is in some way supported by Dargaud & Reggiani (2012) who argues that within a horizontal merger, it usually helps provide an economy of scale. This is also supported by Sander (2017) who states that in many mergers and acquisition the aim is to create economy of scale and benefits in a variety of other activities. Economy of scale can be viewed as a strong driver towards mergers, and be an appropriate factor making merging a solution for struggling companies, making it vital in the topic of mergers. However, in some ways, mergers have a tendency of doing just the opposite. The argument here are that larger companies, in this case, OSV-companies, might have a tendency of becoming more alike an oligopoly. Dargaud & Reggiani (2012) argues that the control and power larger companies might attain, is to increase prices which again that could hurt the customer or other operators. This is especially true in markets where companies have a monopoly. Then the main task will not be to rationalize the operations within the company, but to obtain more control over it. The OSV-market is not quite yet a monopoly though.

However, the informants essentially pointed towards the arguments that in the offshore industry, mergers will prove to benefit economies of scale towards the merging companies.

The informants' further states that mergers are helpful for OSV-companies to achieve an improved flexibility. Additionally, they argue the more flexible a company is, the more efficient it will be. The informants highlight that operations on-land and off-shore will be easier to do in larger companies, where the amount of staffing is greater than smaller companies. Sander (2017) claims that access to lack of resource and expertise are often some of the reasons behind a merger. In other words, the mergers made in the offshore sector can also be a reason for gathering knowledge. An advantage could be the possibility to rationalize and reorganize a company. The claim to the informants regarding higher flexibility within a merger, can be supported by the literature review concerning the topic of mergers and acquisitions.

Another claim from the informants were the bankers willingness for offshore-companies to merge. They argue that the banks and GIEK have a great interest in the fact that OSV-companies are not going to go bankrupt. In addition, they have big values invested in both the companies and in the industry as a whole. Hence, they are sitting with a lot of negotiation power. This can be supported against the statement of Sander (2017), that a merger is often a "strategic advantage". The solution from the banks has been that OSV-companies should restructure, find new solutions and, among other things, merge with other operating companies. This was a factor mentioned by several different informants, and this strategy is in today's market the solution used for the OSV-companies to advance in an industry that has suffered with high debt and overcapacity the recent years. Something that implies the main idea as to one merge are the informants' arguments regarding the harsh times with low rates that makes merging and cooperation a natural way moving forward. The credibility of the informants' opinions regarding restructuring and merger I would say is

strong and trustworthy. Since some of the informants have both seen and experienced the effect themselves.

5.2 Owner and leadership

The informants emphasized on several issues concerning this topic. For instance, they were all agreeing that the owner and leadership will be more cost-effective moving forward. The merging and restructuring progress will have a severe effect on the cost-efficiency and the structural changes within the organizations moving forward. The informants argued that it will be more hierarchy within the organization, with steeper difference between the departments within the company. These factors are arguably important concerning this topic and considering the way the informants focuses on cost-efficiency, I would argue that it is one of the main aims of how OSV-companies is being transformed and changed within mergers.

These factors can be supported by numerous theories. Initially, Bolman and Deal (2013) argues that good leadership re-thinks issues regarding structure, strategy and environment. Also, they focus on implementation, efficiency and are not afraid to experiment. Nothing is certain considering the term “good leadership” within OSV-companies moving forward. There is no one who knows if it comes new effective leaders inside the organizations. However, the phrase regarding efficiency will be vital concerning the future of the organizations, and the informants tended to believe that effective leadership will be a part of it. Collins and Porras (1994) argues that successful companies main focus, is to build an effective organization. The statement made from the informants considering more hierarchy within the organization, could also be supported. Hence, Mujic (2013) argues that in Norway we have flatter structure than other countries. The organizational re-structuring and outsourcing which is at stake within the industry, may cause parts of the companies to be

ruled from abroad. Hence, making the “flat structure” which is normal in Norway, less common.

The informants also highlighted issues regarding bigger companies and the effect it will have on both the organizations and the industry. They argued it will benefit the merging companies, and give them higher bargaining power, along with higher expertise. It will be exciting to see the outcome of the impacts larger companies will have on the industry. The informants implied that larger companies would have more advantages than disadvantages. It was also mentioned that larger companies will make the market look more like an oligopoly. Considering the market power that SolstadFarstad Offshore ASA obtains, along with other big operators. And that the market has had a tendency of containing a few dominated providers. The statement concerning oligopoly could therefore correspond by the fact that the industry contains of fewer and bigger operators than before.

Other themes that were stressed by the informants, were that the OPEX has gone down. By restructuring and merging the OSV-companies has been forced to innovate and find new and better solutions. Arguments such as, in-efficiency and “waste of money” within the organizations are subjects that was discussed by several informants. Hence, the informants look positively concerning the organizations in the future. Most of them believes that restructuring, within the organizations has been healthy and sufficient. This could be supported by the term efficiency and the theory from Collins (1994) regarding “clock building businesses”. Where the arguments are that the main focus should be to build an effective organization. Moving forward, for OSV-companies to be more efficient and lower there OPEX is considered as vital to succeed.

The informants argued further that the market has matured, making restructuring a natural step. In the future, it is important to continue to build up effective organizations and continue to keep OPEX as low as possible. The former CEO of Farstad Offshore ASA argued

in Sunnmørsposten earlier this year that there should be done sufficient analyses before they undertake any investments concerning new-buildings, In addition, taking more dividends instead of giving the company even more debt. (Wattø & Støre, 2018) This was also underlined by several informants who believe that OSV-companies have occasionally been "naive". This is issues providing OSV-owners with learning and knowledge, which should be beneficial in future recessive times.

5.3 Operation and commercial aspects

Regarding the operational and commercial aspects within the OSV-companies, several informants stated that within merging operators, there will be more efficient use of the resources within the company. With an even greater flexibility, which again will provide the company to get an even stronger network and client portfolio. Some informants continued to argue that this will provide the company to easier get bigger and more lucrative contracts. This statement is not sufficiently supported by any used theory. However, Meling & Møkster (2017) argues in a podcast the other way around, where one should not be frightened of the larger companies that will appear in the industry. Thus, that small enterprises still would be able to thrive and compete towards lucrative contracts. Moreover, Møkster (2017) argues that the customer always seeks diversity, she continuous to argue that merging companies contains of both threats and possibilities. This implies that it is difficult to predict how mergers will affect the industry as there are several different opinions from diverse people working in the industry.

The informants also emphasise issues that the market has been fragmented, and that the industry has to become more effective and modified moving forward. This is supported by Meling (2017) which argues that larger companies within the industry are more global. Thus, giving the companies more discipline ahead. He states, that the industry always has been

professional, however, with global companies with larger units, will make the offshore industry even more professional. He continues to argue that OSV-companies will benefit from the new competition that will arise, and that companies with large values will again provide a new optimism in the industry. Also, Bolman & Deal (2013) argues that structural changes is rarely easy, thus, merging companies will in several cases use large amount of time to implement new adjustments within the organization. Hence, it will perhaps take time to make the operational and commercial aspects beneficial.

Another factor regarding bigger and more superior companies in the industry is that they are; "too big to fail". Herewith, a merger can be seen as a good solution for the merging companies. The informants argue further that bigger ships and the flexibility within the firm will be significantly higher. Furthermore, the synergy effects will also help benefits the merging companies. This is supported by Meling (2017) who also argues that the synergy effects will have a strong beneficial factor for the merging companies. Also, the statement from Eriksen (2016) that small companies could be considered as "a small piece in a bigger puzzle" could be considered as undesirable for the smaller OSV-companies. As it may seem that the big companies will only use the smaller companies as pieces to get what they want.

However, both the informants and the selected theory comprised, there are a common supportive awareness towards the fact that larger companies will in most cases stand greater. Nevertheless, the commercial and operational aspects of smaller non-merging companies will still stand strong, if they tend to become even more effective and professional moving forward.

5.4 Restructuring, symbols and visions

A limitation here regarding validity is that aspects such as vision, values and restructuring might be subjective from informant to informant. It is a complex theme. Nevertheless, much that is said among the informants is appropriate towards relevant theory regarding this topic. Within this subject the informants highlighted issues concerning loyalty. Most of them argued that the term loyalty could be at stake moving forward. Hence, whereas people will have less affiliation towards the company they work for. Loyalty is a term that has been highlighted among several informants and could be considered as vital in terms of the negative effects of mergers and restructurings. Also, concerning restructuring, one informant argued that “conflicts may occur.” This could be supported by the theory of Gaughan (2005) who argues towards hostile takeovers regarding restructuring and that it often occurs. Since a few of the OSV-companies mergers has been somewhat hostile, the loyalty towards the new company will by all means not stay the same as it was. Informant 5 argues that there is difference between people from Aalesund and people from instance, Bergen or Karmoy. With hostile takeovers the loyalty will usually not stand as strong as it used to be.

Moreover, numerous informants argued that in recessive times, terms such as symbols will be less essential. Not since it is not important, but because the expenditure and time should be used elsewhere. Bolman & Deal (2013) states that symbols and culture are the superglue that bonds the organizations, unite people and helps the business to complete required ends. Since recessive times have a tendency for companies to not building new symbols, structures and vision. It could be a factor that makes mergers and restructuring difficult. Which again could be a factor for making them unsuccessful. Considering the importance of building a good symbol within the company, it may be an essential factor for the companies ahead. Bolman and Deal (2013) further cite that *"our most important asset is*

our people". Hence, it is exciting to see if OSV-companies have the opportunity and willingness to build new symbols, values and good corporate structures in the future.

Other factors that were underlined from the informants, were the subject of family companies. With more cost-oriented companies, where flagging to other countries could be more regular, the informants argues that family companies will have a tendency of being diluted. The merger of SolstadFarstad Offshore ASA is an example where families such as Remoy and Farstad has lost control of their own company, making proximity from them towards the company more absent then before. Several informants continue to argue that the new players in the Norwegian offshore market is in it for the profit in the short term. They continue to argue that there are "*no vision and values among them*". It may be to exaggerate to use such words, nevertheless, there are factors that indicate that operations and management of the companies will be more cost-driven. Considering the theory of stewardship and agency, Vallejo (2008) argues that there is stronger commitment towards the company within family owned businesses. The term stewardship theory, is a good fit considering the family companies. The steward protects the company's values, history and vision. What defines the terminology stewardship fits well with family-owned companies, but when they tend to disappear, runs parallel with the application of the stewardship theory.

With new and more cost-oriented companies, along with owners with less focus towards vision and values. Also, less attention towards symbolism and culture, the application towards the agency theory, might become more usual. Pepper & Gore (2017) states that agency is more common in companies who benefits individual performance. Contemplating that the offshore industry may tend to get a bigger distance between the departments within the company and get more hierarchal. As well as the fact that cost and efficiency will be more focused, it appears that the trend will make the companies more alike the definition of agency

theory. This depends however, on the structural leadership, as well as how the HR-strategies, vision and values of the OSV-companies will be like moving forward.

The informants do argue that the business will be more cost-oriented, and greater distance between the departments. Vallejo (2008) argues that it is more common in family businesses to work towards the same goal, then in non-family businesses. This is supported by Bøhren & Berzins (2013) who further argues that the performance of family corporation has proven to be clearer, longer-lasting and more sustainable than non-family owned corporations.

5.5 Future outlook

As for the subject of future outlook, there are much room for views and opinions from the informants. A limitation here is that the theory being discussed is based on statements from individual persons and companies. Also, from relevant and up-to-date news regarding the Norwegian offshore market.

In recent months there has been a glimpse of positivity and optimism in the Norwegian offshore market due to improved market outlook. However, the informants argued that there will highly likely be a new round of mergers and restructurings and there are still tough times ahead. Most informants were sceptical regarding the outlook in the short term, nevertheless, more positive in the long term. In addition, they argue that the worst time is over and that there is room for innovation and new-thinking moving forward. As more operations and structures have been improved, the future prospects have not looked better for a long time. When the informants imply such a positive angle regarding the future, the assertion concerning optimism in the industry is proven to be precise.

This is supported by Serck-Hansen (2018) chief executive of DNB, who argues that there is now a "clear optimism" in the offshore industry. It is especially for oil service

companies, but it also applies to the entire industry. He also supports the statement that "the worst time is over." Furthermore, Serck-Hansen (2018) argues when the industry is experiencing positivity, it will trigger investors to invest and bring more capital in the industry again. Considering there are few newbuilding's in the sector and it has been a priority for OSV-companies to sell second-hand vessels to non-competitive markets, could be viewed a boost to make the balance between supply and demand more similar. This is supported by Strandli (2017) who states that there are record high activity in the secondary market, and newbuilding activity is close to historically low levels in the shipping market.

The informants also emphasize that operations could be outsourced and with less players in the industry, competition can be changed. Meaning, that the future regarding ownership and management of the company will be uncertain moving forward. However, at the same time quite interesting. Nonetheless, there is broad optimism in the industry, and that optimism can be a boost for the actors, the willingness for shareholders and stockholders to continue to operate and invest in the Norwegian offshore industry.

6. Conclusion

Through an in-depth and methodical study on how mergers and restructurings have affected OSV-companies, this thesis has now highlighted several important issues. The research question aims at how OSV-companies will appear both today and, in the future, regarding restructuring and mergers. It has emerged points concerning the drivers behind the mergers, why restructuring has occurred and how it affected the OSV-companies and, to a certain extent, the industry in general. The results this thesis has provided, may hopefully be useful information concerning the subject of mergers and restructurings for Norwegian OSV-companies moving forward.

Regarding the validity and reliability of both sources and informants, there may be some weaknesses and limitations. Considerably aspects of the thesis are based on opinions and views from people working in the industry, hence the informants. Trustworthiness, is therefore, considered an important term, as the informants are strategically chosen and carefully thought out for providing the best possible data. Accordingly, to conclude directly with phrases such as; "that is how it is" will be wrong in this type of thesis. There is therefore reason to believe that there may be some subjective opinions that arise in a qualitative survey such as this one.

There have been several important elements that have been repeated continually throughout the thesis. First off, merging and restructuring has occurred since the owners of OSV-companies have not been able to pay their debt. The industry has been through tough times, with imbalances between supply and demand, low oil prices and lay-offs. Thus, restructuring and mergers has been seen as a solution for OSV-companies.

One main finding is that companies that go through mergers and restructuring will tend to become more professional and organizations will be more hierarchal and formal. Thus, with new owners with less proximity towards OSV-companies values and vision, the

findings done in this thesis, imply that the operations and organizations will become more efficient and cost-oriented. Hence, aspects such as owner and leadership will be changed and there may be disputes within the company. The findings also suggest that companies may outsource parts of the company in the time to come, to become more cost-efficient.

Subsequently, previous research has shown that merging and restructuring have a high tendency of failure in the early stages. Thus, making mergers and restructuring risky.

As discussed in the thesis, there have been several family-owned companies in the Norwegian offshore industry. Through restructuring this will have a tendency of changing. Regarding fewer family-owned companies, the traditional OSV-companies are at stake in the future. Aspects such as vision, values and symbols will tend to change. Also, the findings imply that the personnel both on-land and off-shore will have less proximity to the company, considering that it could be new owners and management.

Nevertheless, the industry and OSV-companies have been through tough times, recently it has turned out there is an increase of optimism. The findings in this thesis indicates that restructuring and mergers have proved to be a good long-term solution for OSV-companies. There are factors that reveals the market is pointing towards the right direction and that optimism begins to glimpse again. The findings definitely imply that there are opportunities ahead for OSV-companies.

6.1 Suggestion for further study

Proposals for further study is to scrutinise how restructurings and mergers affect a company internally. Hence, considering how behaviour and performance among employees will be and how it would affect a possible cultural-crash. For instance, to talk to people working within the same company, for example, SolstadFarstad Offshore, and see how the company is being ruled today, versus how it was before the merger. Considering the

limitations, I have had in this thesis, it would be interesting to investigate OSV-companies with another approach. For instance, a quantitative method, with tests of multiple people working in the same company versus other merging companies.

In addition, to write about a similar research problem in a few years' time, as the Norwegian offshore industry is considered as volatile. It could have been exciting to see how the mergers changed the OSV-companies and what relevant informants think about the market then compared to now. If I were to write more extensively on this thesis, I would have contacted even more informants. Also, over time, it would probably be clearer on how mergers and restructuring had affected OSV-companies. Furthermore, through longer and even more thorough research, the results could possibly be considered as more valid and reliable.

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Appendices

Appendix A - Interview guide

- The offshore industry has been through some tough 3-4 years, what impact do you think this recession has had on the industry?
- Why do you think consolidations have become a solution in this struggling industry?
- Do you think merging/consolidation can be viewed as a "last resort" for OSV companies that are going bankrupt or can it be viewed as an opportunity?
- As companies have ended up consolidating, it seems to be fewer players in the industry, but significantly larger companies. How do you think this will affect the industry moving forward?
- Do you think offshore companies will get strengthened concerning the tough times the recent years?
- Regarding ownership, how do you think this change during a consolidation/merger?
- Regarding organizational structure, especially in the offshore industry, it has been family owned and companies have had high importance in, for example, local entities. How do you think acquisitions, collaborations and mergers will change the companies internally and externally?
- Do you have any thoughts on how mergers and the tough times have affected the offshore companies vision and values?
- How will a merger between two strong companies affect the operational operation of the company? For example, will they be more efficient, will they have a larger customer portfolio or broader knowledge?
- How do you think the offshore industry will look like in 3-4 years in terms of company structures and number of players in the sector?
- Do you have any last remarks?