

Assignment Memo

Ernst & Young

Singapore Business Case Competition

Task

The impact of offshore drilling on the ecological environment is now under increased scrutiny. Moratoriums in the United States banned offshore drilling in sensitive areas, following oil spills in 1969 and 1989. As these regulations limit operations of oil rigs, they may dampen demand for Keppel's oil rigs. One Keppel FELS manager expressed concern over the possibility of other governments following the tough stance taken by the United States government, which would adversely affect revenue from Keppel's offshore division.

Assume you are a team of consultants to Keppel Offshore & Marine (Keppel O&M). Your task is to advise your client on the correct strategy to solve their problems. The first key step is to clearly identify the issues Keppel is facing. In deriving your solution, you should consider Keppel's environment, resources available and organisation structure. Your team must also take into account the risks, costs and benefits involved in your chosen strategy.

Client Concerns about Current Industry Trends

During extensive discussions with the client, our Principal Consultants noted client concerns in the following factors that may present either threats or opportunities:

1. The cyclical nature of the shipping and rig-building industries, exacerbated by delays between placing orders for new ships or rigs and their delivery that typically span several years;
2. Volatility in new rig and ship prices, with the average price of a VLCC build fluctuating wildly between US\$63 million and US\$105 million over the five year period from 2002 to date;
3. Emerging competition between Japan (once the world's leading shipbuilder), South Korea (the current leader), China, and India, leading to the potential for excess capacity;
4. Abrupt shifts in design preferences and core technologies such as materials;
5. Emergence of demand for innovative products in both the ship and rig-building markets;
6. The potential emergence of a common set of interoperable design and manufacturing tools, based on industry standards;
7. Regulating bodies not only into building of vessels and rigs, but maintenance and repair;
8. Unprecedented instability in the Middle East, resulting in a tendency to stockpile oil resources;
9. Currency and equity market fluctuations;

Assignment Memo

Ernst & Young

Singapore Business Case Competition

10. Fluctuations in the cost of raw materials and other inputs;
11. Access to professional and skilled manpower resources;
12. Cost and availability of capital and other resources needed to sustain growth;
13. Sustainability Issues related to global warming and management of the environment;
14. The emergence of viable alternatives to fossil fuels as a source of energy.

Deliverables

Your 1-page executive summary should be a brief overview of your work, providing your recommended solution to readers. The focus should be on explaining the key issues, laying out all viable alternatives, and justifying your recommended solution.

You see your presentation as the first step in a qualification process that will pit your advisory team against major competitors. You intend to survive this first round, and stand out as a front-runner. However, you must make key decisions before preparing your pitch:

Deliverables: What must you promise the client?

Resources: What (other than the fee) should you ask the client to contribute to the project?

Credibility: How can you convince them that your team understands their problems, can anticipate emerging issues and will be able to find viable solutions?

Your presentation slides must address the following:

1. Key issues: Analysis of environmental forces acting on the firm, criticality of problems
2. Alternative approaches: Perceived value, risks and costs
3. Strategic solution: Stakeholder views, justification
4. Risk management: Barriers to overcome to improve stakeholder acceptance
5. Implementation: Timing, key decisions and actions required by specific actors

Remember to submit your deliverables in a compressed folder by 12th March 2011, 2359H. For more information about submission, please refer to the competition rules at <http://www.sgbcc.com.sg/The-Competition/Rules/>.