

Adapting Past Lessons to Future Challenges

Bob Deason

Chairman of the Board
UniversalPegasus International



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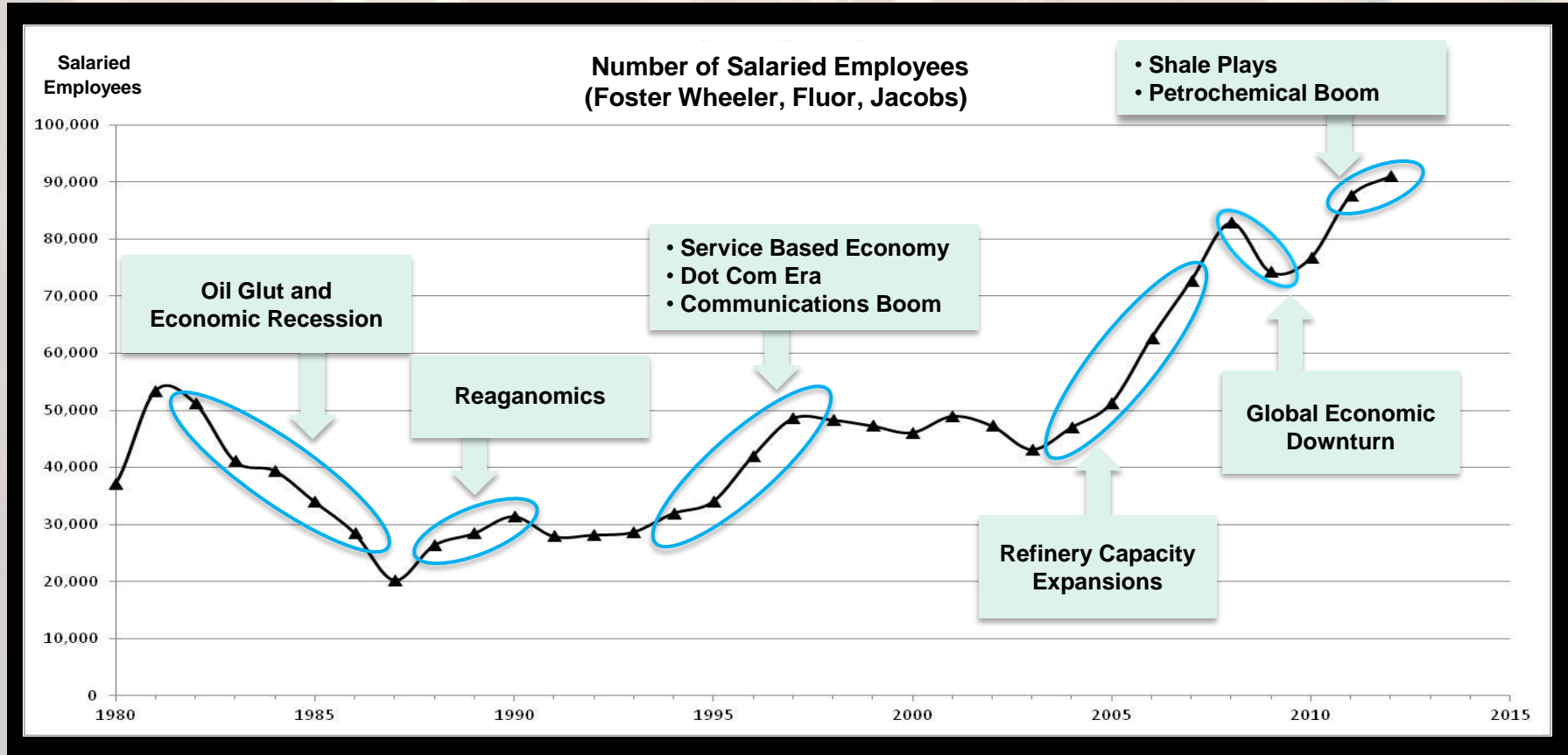
Changes

TIME	IMPACT
1975 – Current	<u>Technology Innovations</u> <ul style="list-style-type: none">▪ Computers▪ Communication▪ Internet
Mid 1980	<u>Global Financial Recession</u> <ul style="list-style-type: none">▪ Saudi Arabia output surge
Late 1980 through 1990	<u>Client Changes</u> <ul style="list-style-type: none">▪ Combination▪ National companies▪ Joint Ventures
1990's	<u>Client Approach to Projects</u> <ul style="list-style-type: none">▪ Procurement driven▪ Cost focus▪ Decline in margins for E&C firms

TIME	IMPACT
Early 1990 – 2005	<u>Work Sharing</u> <ul style="list-style-type: none"> ▪ Multi office execution ▪ Lower cost ▪ Resource management
1995 – Current	<u>International Competition</u> <ul style="list-style-type: none"> ▪ Cheap to good ▪ Cash for investments ▪ From acquired to acquirer
2000's	<u>Depletion of Talent</u> <ul style="list-style-type: none"> ▪ Agency ▪ E&C and clients
2000 - 2013	<u>Subsea Development</u> <ul style="list-style-type: none"> ▪ Fewer Topsides ▪ Complex technology

TIME	IMPACT
2007 - 2008	<u>Global Financial Meltdown</u> <ul style="list-style-type: none"> ▪ All areas impacted
2010	<u>Macondo Disaster</u> <ul style="list-style-type: none"> ▪ More regulations ▪ Like Piper Alpha
2005 - 2013	<u>Shale Development</u> <ul style="list-style-type: none"> ▪ Where did peak oil and \$15/gas go? ▪ Losing expertise base
2013 - 2017	<u>Chemical/Petrochemical Boom</u> <ul style="list-style-type: none"> ▪ Available staff ▪ Client capabilities ▪ Coming cost overruns?

Market Cycles Over Time



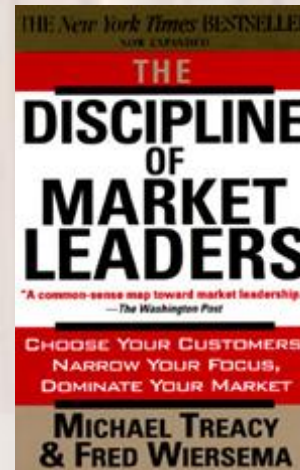
Principles

- **Clear Vision/Market Strategy**
- **Discipline of execution**
- **Financial discipline**
- **Diversity of markets and services**
- **People development**
- **Client relationships**
- **Strategic view of market**

Clear Vision / Market Strategy

- True competitive advantage
- Not “everything” to “everybody”
- Decide market space and be “best”

A Good Read:



Discipline of Execution

- **Rigor of oversight**
- **Delegation within tight boundaries**
- **Structured project management process**
- **Avoid “cost cutting” on oversight**

Financial Discipline

- **Strong balance sheet**
- **Avoid leverage**
- **The right acquisitions**
- **Training at all levels**
- **Project cost control**

Diversity of Markets & Services

- **Maintain “growth” posture in cycles**
- **Diversify in “adjacent” areas, close to core**
- **Serve “best” clients but avoid single client focus**

People Development

- **Formal process**
- **Smart downsizing and upsizing**
- **Develop/value multi-skilled individuals**

Client Relationships

- **Top to bottom engagement**
- **Invite candid feedback**
- **Recognize weakness in clients and teams**
- **Focus efforts on “best fit” clients**

Strategic View of Market

- **Global view with local focus**
- **Government actions/requirements**
- **What are competitors doing?**
- **What is next wave?**
- **Where are we in the cycle?**

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The Future of the Engineering & Construction Industry

- **The pace is faster and the amplitude greater**
- **Change is the “steady state”**
- **Successful companies stick to their identity and operating principles**
- **They see changes as waves of opportunity to grow and get stronger**
- **True survivors will learn from the past lessons and thrive**



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QUESTIONS



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