

# Strategic Client Management in the Oil and Gas and Construction Industries

## Executive Summary Report on a Study into the Oil and Gas and Construction Industries in Norway and the UK

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## The research

Construction and oil and gas are facing serious challenges in the years to come dealing with increased focus on sustainability and increased use of technology thus leading to increased complexity. One way to help manage complexity is to adopt and develop client management in the firms and on projects in strategic ways.

This research, funded by Project Norway, therefore sets out to learn more about the client from the supply chain point of view, through client management. Client management aims to improve the understanding of client needs and expectations in order to improve performance and as a consequence improve the position of the construction and oil and gas firms supplying the clients.

The study compares sectors and countries to look for similarities and differences, to broaden the understanding of client management. Compared to construction, oil and gas have a reputation of higher efficiency and higher rate of innovation, and thus could be interesting for comparison. The data is collected through 25 semi-structured interviews from both sectors and countries, the majority of which were from large organisations.

Figure 1 illustrates differences between the two countries in the northern part of Europe. Many things are similar, and some things are different. This makes the analysis and comparison complex and needs consideration when reading the results.

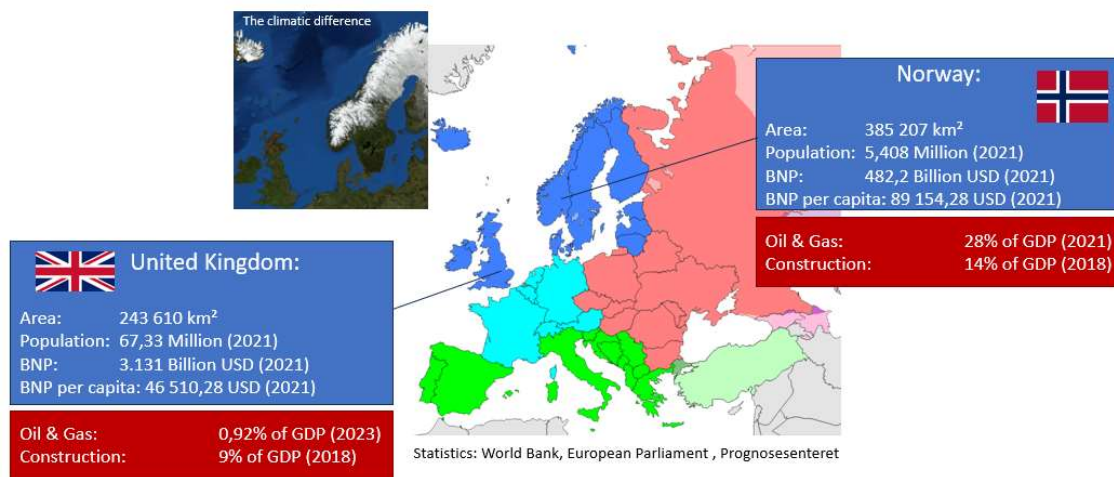


Figure 1 Two European countries with similarities and significant differences.

This research explores the state of play of strategic client management in both construction and oil and gas, specifically where it is adopted, what works well and what opportunities there are for improvement.

The research is documented in three full reports available from Project Norway<sup>1</sup>

- Strategic Client Management in the Oil and Gas and Construction Industries
- Strategic Client Management in the Oil and Gas Industry
- Strategic Client Management in the Construction Industry

<sup>1</sup> [Prosjekt Norge](https://prosjektnorge.no/): <https://prosjektnorge.no/>

## Strategic Client Management – the concept

The primary aim of strategic client management is to improve performance for clients and their users with a secondary or consequential benefit for suppliers: consultants, contractors, and subcontractors. Benefits for the client include an improved project content and service experience. Benefits for suppliers are increased turnover, especially through repeat business from key clients, and improved profit margins.

*Strategic client management* was distinguished from *tactical client management* for the first time in this study. Strategic client management is predominantly located in the supply side firm and across their projects, while tactical client management is located at the project level.

Strategic client management includes client selection, increasing responsiveness to client needs and expectations, and investing in new capabilities to improve performance. It includes managing clients pre-project through business development, bidding, and other front-end functions. At the firm-project interface it includes influencing tactical client management decision making on projects to ensure value propositions are delivered in alignment with the solutions clients expect beyond the minimal requirements of design and specification. It also involves effectively feeding back learning to improve future performance.

Tactical client management located at project-level ensures that project managers and teams align actions to client needs and expectations, as well as to serve future projects through project learning and knowledge transfer to other projects.

## State of business – the findings

We found significant differences between the two industries and between the two countries as shown in Figure 2.



Figure 2 Main differences between countries and industries.

## Motivation for developing Strategic Client Management

The findings show in practise the primary aim of client management is to increase repeat business for suppliers. A consequential secondary benefit is a marginally improved service and increased value for clients. This reverses the conceptual aim of client management. The variable adoption and partial implementation compromise performance improvement both for client and supplier. Some firms adopting client management were stronger at strategic client management and others at tactical client management. The findings show that the interface between the firm and the project level was not managed. This could mean that important knowledge from the projects was not conveyed to the senior management, or strategically important decisions not conveyed to the projects.

## Systems and Behaviour

Strategic client management is part of a client relationship management (CRM) system which is supported by CRM software platforms, such as Salesforce®. CRM is only as good as the human systems it supports, that is, the level engagement with and effectiveness of relationship management systems. The findings show firms do not put in place rigorous relationship management systems. Engagement with CRM is low, especially among senior management and at operational level. There is an over-reliance upon informal behaviour.

Finance departments are reluctant to put investment into relationship management systems. Commercial departments and commercial directors tend to focus on cost at the exclusion of client considerations. Further, firms do not require human resource policies to annually monitor individual performance against engagement with CRM issues.

## The Client Value and Project Lifecycle

Strategic client management spans across projects for key clients. The value of a client to the business is the client lifetime value, say over a ten-year period or known programme, yet management was largely unaware of the value of each key client to the business.

Strategic client management spans business development, bid management and project management over a project lifecycle on company level. Other personnel are also involved, and some firms put in place a key account manager (KAMs) to coordinate activity across all interfaces, although practice tended to be partial in the lifecycle coverage and under-resourced.

Findings from UK indicates that consultants tend to be better at understanding and delivering against client needs, thus this was not the findings from Norway.

An early key issue is delivery model selection. Clients tend to disproportionately transfer risk to suppliers, thereby increasing the relationship tension and relational risk during delivery. This affects supplier ability to manage clients over project lifecycles. Transactional models reduce the effect of Strategic client management. Influencing client delivery model selection is an important strategic part of client management.

Managing the firm-project interface was largely neglected. Although the oil and gas sector appeared marginally stronger in managing handovers at the firm-project interface, construction contractors appeared to be better at engaging in tactical client management during delivery, even though the responsiveness did not always result in delivery improvements. The tactical client management was usually done by the project manager, without clear directives from the senior management.

## Performance Improvement

There is considerable focus upon meeting the minimum requirements set out in the contracts. There is less attention upon collaboration to add value and cooperation in co-creating value.

Practice is driven by motives of increasing repeat business rather than improving performance for clients both across projects and on projects. However, in construction, the findings show that in collaborative contracts, the suppliers both wanted to and were able to improve performance (value) for the client. This was acknowledged by the clients participating in these projects.

Investment in client management and other capabilities to improve performance are necessary to deliver benefits to clients and transition towards a more transformational business model of more fundamental change. Strategical client management capabilities have the effects of increasing efficiency and lowering costs medium-to-long term.

There is a considerable focus upon technical and technological inputs with a lack of considered attention to management inputs that improve performance – a product of the engineering mindset in oil and gas and much of construction. Management capabilities are low cost to introduce compared to most assets such as plant and technology. Further, management capabilities appreciate with use rather than depreciate as fixed assets do. The service focus is largely absent.

Current capabilities are frequently poorly implemented, especially among contractors. One critical example regarding strategic client management is organisational learning and knowledge management. Consultants, however, are better as knowledge workers than contractors; the main contractor motive is to include a 'capability' in their proposals and bid documentation without having the systems and budgets fully in place to facilitate effective implementation such as knowledge transfer. A common shortfall is to put an IT platform in place without a relationship management system, budget, and human resource policies to maximise timely and effective engagement. Part of a system is training and a continuing lack of training exists regarding the implementation of strategic and tactical client management.

## Comparisons

An important research *objective* is to compare the differences in strategic client management between countries, Norway and the UK, and between sectors to see what can be learnt from different contexts. A further *objective* is to explore tactical client management and in particular how well the strategic and tactical components are managed and integrated. Figure 3 summarises main findings in comparison.





	Oil and gas 	Construction 
Industry characteristics	Dominance of large organisations Structural solutions Rigorous systems Large projects Similar practices	Dominance of small organisations Informal behaviour Lack of systems Small projects Divergent practices
 United Kingdom	<ul style="list-style-type: none"> <li>• Strategic Client Management implemented.</li> <li>• Collaborations supported but pull back from relational practices (mature market).</li> <li>• Client Management Systems operating.</li> <li>• Informal behaviour at operational level.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Client Management implemented.</li> <li>• Client Management Systems operating.</li> <li>• Collaborative practices encouraged</li> <li>• Informal behaviour at operational level.</li> <li>• Building relations on individual level.</li> </ul>
 Norway	<ul style="list-style-type: none"> <li>• Strategic Client Management implemented.</li> <li>• Entering collaborative contracts and relation-based practices (new energy markets).</li> <li>• Client Management Systems operating.</li> <li>• Informal behaviour at operational level.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Client Management undeveloped.</li> <li>• Client Management Systems unknown.</li> <li>• Use of collaborative contracts increasing.</li> <li>• Tactical client management implemented.</li> <li>• Informal behaviour at operational level.</li> <li>• Building relations on individual level.</li> </ul>

Figure 3 Comparison of main findings between countries and industries.

The findings show that oil and gas firms interviewed in the UK have pulled back from relational practices and client management due, it is said, to clients becoming more transactional in procurement. The reverse is the case among Norwegian oil and gas firms. In all firms strategic collaboration is supported in principle, yet operationally informal interpersonal relationships remain dominant.

Construction consultants and contractors have seemingly become more strategic in client management over recent decades in the UK, but also rely heavily upon informal behaviour at an operational level. Norwegian construction contractors have yet to adopt strategic client management. They are stronger at implementing tactical client management.

Some other differences are evident between oil and gas firms and construction firms. Oil and gas firms are particularly reliant upon structural solutions, which work well if systems are rigorously employed. At a procedural level there is over-reliance upon informal behaviour. Construction consultants are very reliant upon informal conduct and relationship building both strategically and tactically. Construction contractors operate with structural solutions around procurement and project type, but the client management processes are more dynamic with a greater reliance upon a mix of formal and informal behaviour for client relationship management. Relationship management may induce consistent understanding among individuals but not across departments and teams; the aim is shared corporate understanding. When conflicts and clashes occur, client management brings a strong strategic base in firms to resolve them, ideally for mutual benefit.

In construction, it was claimed that project management consultants present a barrier to effective client management. In addition, design and build contracts tend to pose challenges that can erode at the operational level what client management has put in place. In both cases the extra management layer can cause a dilution of efforts and action.

The practices in oil and gas are similar in the UK and Norway, largely because the firms share the North Sea as an area of operation. Practices in construction are more divergent.

The two sectors and two countries share a great deal of common practice, particularly the strategic client management being implemented unsystematically. The greatest weakness is at the firm-project interface between strategic and tactical client management.

## Conclusion

In sum, strategic client management is variable among firms, but in all cases where it is adopted there is a lack of a strategic and systematic approach without adequate resources.

While those firms adopting strategic client management are satisfying their main motive of increasing client business, the main purpose of strategic client management is to improve performance for clients, with the by-product of benefitting providers.

Strategic client management is currently strongest among large UK contractors, but it is still far from commonplace. International oil and gas firms interviewed in the UK have the systems for strategic client management or collaborative procurement models, but there is an over-reliance upon individual behaviour and action at the tactical level.

Tactical client management is stronger in Norway than the UK, but lacks support at the strategic level. In all firms and both countries, there is a lack of human systems and procedures between the at the firm-project interface, hence between strategic and tactical client management.



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