

# **Strategic Client Management in the Construction Industry**

**A Report to the Norwegian and UK Construction Industries**

A Report from a Research Project examining strategic client management among consultants, contractors and subcontractors in Norway and the UK conducted by NTNU and funded by Project Norway

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## A Report to the Norwegian and UK Construction Industries

This research has been conducted through NTNU and the report written by Ole Jonny Klakegg, Hedley Smyth and Vegard Knotten.

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## **Executive Summary**

### ***Strategic Client Management***

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

The primary aim of strategic client management is to improve performance for clients 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. Strategic client management is predominantly located in the supply side firm, 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 and 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.

The findings show in practise the primary intention is to increase repeat business for suppliers. The effect is a consequential secondary benefit of a marginally improved service for clients. 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 interface between the firm and the project level was not managed.

### ***Systems and Behaviour***

Strategic client management is part of a relationship management 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 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.

Human resource policies that do not annually require individual performance to be monitored against engagement with CRM issues.

## ***The Client 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 the senior management and management with client management responsibilities in some of the firms, especially in the UK, were unaware of the value of each key client to the business over the long term.

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

Consultants tend to be better at understanding and delivering against client needs.

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. Influencing client delivery model selection is an important strategic part of client management.

Managing the firm-project interface was largely neglected. Contractors omit an effective handover between strategic and tactical client management. Some contractors were reasonable at engaging in tactical client management during delivery, even though the responsiveness did not always result in delivery improvements.

## ***Performance Improvement***

Practice is driven by motives of increasing repeat business rather than improving performance for clients both across projects and on 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.

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

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 much of construction. Management capabilities are cheaper to introduce and appreciate, rather than depreciate, in use. The service focus is largely absent.

Current capabilities are frequently poorly implemented. One critical capability feeding into strategic client management is organisational learning and knowledge management. Consultants are better as knowledge workers than contractors. The main motive for contractors concerning knowledge transfer is to cite the 'capability' in their proposals and bid documentation without having the necessary budgets and systems to fully support an effective capability. 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.

A continuing lack of training exists regarding 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, 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.

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 contractors have yet to adopt strategic client management. They are stronger at implementing tactical client management.

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 dynamic with a reliance upon a mix of formal and informal behaviour for client relationship management.

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.

Overall, practices in construction are divergent, but the two countries share a great deal of common practice, particularly the lack of systematic client management. The greatest weakness is at the firm-project interface between strategic and tactical client management.

## Background

This report forms part of the research conducted by NTNU that has been funded by Project Norway.

*Strategic client management* has not previously been explicitly researched. Client management has received some research attention, largely through the marketing and sales perspective in construction. Practice has previously been driven by motives of increasing repeat business, hence potentially turnover and profitability through improving the marginal performance delivered to clients<sup>1</sup>. Client management is a component of relationship management as part of organisational behaviour. Relationship management has received more research attention<sup>2</sup>, although client management has received less attention, largely because it inherently spans organisational boundaries. Relationship management, and hence client management, requires robust internal management systems to be effective. Yet, recognition is given to relationships requiring informal 'room for manoeuvre' to enable cultural norms, shared routines and individual skills to operate, supported by systems to guide consistency and secure information for the organisation's benefit in conducting relationship management effectively<sup>3</sup>. This also applies to client management.

External drivers, such as relational contracts and certain project delivery models, can enable collaboration. These are typically client driven yet can stimulate client management performance improvement within supply side organisations and may lead to broader relationship management improvements. However, relational contracts and delivery models are project or programme specific and may not lead to long term improvements among consultants, contractors and subcontractors<sup>4</sup>.

This sets the context for the focus of this research and specifically making the explicit distinction between what we have termed *strategic client management* and *tactical client management*. Strategic client management is primarily located in the supply side firm as an organisation, while tactical client management is operational and is located at the project level. Projects, although conducted by the firm, are loosely coupled organisationally and sometimes, as in the case of construction, physically decoupled<sup>5</sup>. Loose coupling induces social and locational distance organisationally. Loose coupling, alongside the uniqueness and temporary nature of most projects, serve to emphasise the need for robust and systematic client management to manage clients through business development, the project front end and during project delivery. Strategic client management covers the first two stages, yet also bridges into tactical client management, not only to set up and ensure effective client management during projects but also for tactical client management to feed back lessons to improve strategic client management and project performance in the future.

Therefore, the *aim* of strategic client management is to improve performance for the benefit of clients and the supplier. For the client this means the service experience as well as the project content. For the supplier it is to improve the security of workload and hence turnover for the business, especially repeat business from key clients.

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<sup>1</sup> For example, see Smyth (2000; 2015).

<sup>2</sup> For example, see Aarseth (2014), Meng (2012), Smyth and Edkins (2007).

<sup>3</sup> Smyth (2015).

<sup>4</sup> Ibid..

<sup>5</sup> For example, see Dubois and Gadde (2002).

The *aim* of this research is to explore the state of play of strategic client management in construction, hence where it is adopted, what is working well and what opportunities there are for improvement and for whose benefit.

An important research *objective* is to compare the differences in strategic client management between Norway and the UK 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.

In construction, strategic client management was adopted later than in many other manufacturing, consumer and service sectors. It is easier in other sectors where a fairly standardised product or service is produced and configured first and then sold into the market, than for project contracts where the uniqueness of content and context require services to be sold first and then delivered. While projects may be unique it does not mean that clients cannot be managed systematically. Client management has been increasingly adopted over recent decades although prior research shows variability in understanding, partiality in implementation and a lack of support systems<sup>6</sup>.

A variety of terms are employed in the context of this study, both among practitioners and researchers. A *client orientation* is a general term applied to an overall strategic approach, the aim being to delivery projects in close alignment with client needs. It may implicitly refer to mindsets, organisational culture and elements of the business strategy and model. It need not specifically include client management. *Client management* is the term employed in this report, but *customer management*, borrowed from consumer markets, is also regularly applied in practice. *Key clients* or *customers* are typically those from whom repeat business is secured on the basis that across service industries around 60-80% of business comes from 20-40% of all clients. Arguably, being too close to 80% embodies some market risk as there may be “too many eggs in one basket” or too high a dependence upon certain clients. *Key client management* or *key account management* (KAM) as a term originally adopted from the advertising industry refers to the highly focussed process of managing key clients, whether conducted by individuals or systematically across the supply-side organisation. KAM tended towards individual management operationally in the original sense it was applied, so practice is less strategic in management terms although the outworking may have significant strategic implications.

Data was collected using semi-structured interviews and in compliance with ethical approval at NTNU. To that end organisations and individuals were kept anonymous, which also avoids the risk of readers dismissing findings on the basis that these findings do not apply to them or their organisation – we have endeavoured to identify patterns and only highlight particular or unique findings where they appear significant and where comparisons are made.

The interviews are drawn from 5 Norwegian and 5 UK organisations, yielding a total of 16 interviews. A total of 9 interviews were conducted among contractors and subcontractors, 4 among consultant firms, plus two clients, one in the private and another in the public sector, to secure their perspective of contractor and consultant client management activities. Therefore, the mix of organisations, sectors and countries permitted some differences to be drawn attention to, from which practitioners can learn and improve practices. The schedule of interviews is set out in Table 1.

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<sup>6</sup> For example, see Smyth, Duryan and Kusuma (2019); Smyth (2015).



**Table 1. The Schedule of Interviews**

Country	Organisation	Interviewee Role	Subtotal	Totals
United Kingdom	Contractor	Client Accounts & Marketing Director with a UK Construction Contractor	5	5
		Client Account Director with a UK Construction Contractor		
		Head of Proposals with a UK Construction Contractor		
		Infrastructure Project Manager with a UK Construction Contractor		
		Regional Project Manager with a UK Construction Contractor		
	Contractor and Subcontractor	Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor	1	6
	Consultant I	Co-founder of a Prominent UK Architectural Practice	3	9
	Consultant II	Managing Director of the London Office a Large UK Architectural Practice		
Consultant III	Founder of a UK Marketing and Stakeholder Consultant for the Built Environment			
Norway	Contractor	CEO of a District/ General Manager of a Norwegian Contractor	2	11
		Head of Project Development of a Norwegian Contractor		
	Subcontractor	Department Head of a Norwegian Subcontractor	1	13
	Consultant	Senior Consultant and Founder of a Norwegian Practice	1	14
	Client I	Project Leader in a Norwegian Private Client Organisation	1	15
	Client II	Project Leader in a Norwegian Public Client Organisation	1	16
<b>Grand Total</b>			<b>16</b>	

## Introduction

Construction companies, particularly contractors and subcontractors, operate with strategies and business models that are essentially transactional, driven by the need to keep overheads and expenditure low due to operating within stringent bid regimes. There have been some countertrends. The first is relational contracting, including partnering, alliances and supply chain management<sup>7</sup>. The second is greater collaboration and co-creation of value<sup>8</sup>. During the last two to three decades, construction consultants and contractors have realised that paying attention to key clients reduced market risk, increased repeat business and sometimes margins<sup>9</sup>. This induced the beginnings of what we are calling *strategic client management* in construction.

The additional short-term investment and expenditure to introduce strategic client management on a concerted and consistent basis, if allocated on an incremental basis over several years, do not challenge the fundamentals of the transactional business models. Investment can contribute to transitioning towards a more transformational business model. The costs are not only the time and effort of individuals, but also investment in systems – human procedures as well as digital platforms.

Strategic client management involves processes in client selection, identifying key clients in core markets, understanding client business models and the needs they have for which the projects provide business solutions, and understanding the needs and expectations around individual projects.

The next level is mobilising and developing capabilities to fulfil those needs across projects and for particular projects. Capabilities maybe technical and technological but are more likely to be managerial (which are typically lower cost too) for developing service provision. Capabilities are not only for projects but other functions too, for example commercial decision-making taking account of the client perspective and repeat business, learning about clients and knowledge transfer on projects in relation to tactical client management, and project knowledge transfer to feed back to the strategic level. Such capabilities also have the effect of increasing efficiency and lowering costs medium-to-long term.

It follows from the above that strategic client management is not only a function for managing clients but also operates by intervening and coordinating with other functions in firms and at project level to meet client needs and improve performance for mutual benefit. Indeed, developing strategic management capabilities of this nature is arguably where the greatest traction can be achieved in the management of clients.

One of the reasons underpinning this study is the perspective that construction, namely consultants, contractors and subcontractors, have been adopting strategic client management at different rates and to variable levels of intensity and rigour. The extent of adoption and therefore rigour needs examination, especially the effects being seen upon service and quality of performance improvement.

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<sup>7</sup> For example, see Bygballe, Jahre and Swärd (2010).

<sup>8</sup> For example, see Fuentes, Smyth and Davies (2019).

<sup>9</sup> Smyth (2015).

## Strategic Managing

Strategy requires implementation and much of that is done by and through the prevailing business model for the firm. Central to implementation is to facilitate making a profit. Margins have been under pressure in construction over several decades. It is largely driven through the bid regimes of clients in both the public and private sectors, although regulation has driven up management costs.

The interviews demonstrate that collaboration between the client and supplier is important. In construction collaboration has increased in infrastructure work, while being more informal and negotiable in other forms of work, especially in private sector work where it has possibly waned.

Construction adopted collaboration through partnering and alliances practices. This meant more attention was given to clients tactically and strategically. However, relational contracting is a procurement approach and strategic client management sits above any one project for a client and all key clients. Strategic client management is closely related to relationship management and business development. Although strategic client management is above any one programme or project, project operations influence it. Clients continue to demand collaboration, despite certain practices during delivery being highly transactional.

In Norwegian construction evidence points towards clients and suppliers wanting more collaborative contracts and practises. The clients interviewed recognise that their contractors have valuable expertise that help them<sup>10</sup>, and suppliers said that this is the best way to help the client to increase the value of the projects<sup>11</sup>. Norwegian contractors therefore were more adept at tactical client management than developing strategic client management as seen among many UK contractors,

Overall, across both sectors, the intensity and extent of collaboration varies client-by-client. This sets the context for those firms pursuing strategic client management in selecting key clients and the way in which each are managed. While strategically managing clients may follow the same process, the specific response client-by-client will be different. However, clients can be grouped by generic needs and expectations as well as by project type in the approach to strategic client management.

Different organisational structures among firms also affect strategic client management. Many firms are divided up into divisions by service line. While key clients may be easily identifiable within a division, managing clients with business interests across divisions can pose challenges. Some firms have tried to span these boundaries, but with inconsistent success because the current relationship and client management systems are insufficient to facilitate this. The more transactional the firm in its business model, the greater the challenge appears to be, although more investigation into this is needed.

The consultants have professional codes to provide shared norms of operation which help reduce in-house management costs. This factor probably tends to render them more open to strategic client management. They are also knowledge workers which helps them investigate client needs and share lessons learned. These factors tend to induce a more collaborative approach but one that is more informal in implementation than contractors and subcontractors, who were later adopters yet have become more systematic in implementing strategic client management.

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<sup>10</sup> For example, the Project Leader in a Norwegian Private Client Organisation.

<sup>11</sup> For example, the Head of Project Development of a Norwegian Contractor.

Strategic client management is part of relationship management and is a vital component of organisational behaviour. It is therefore driven from the strategy of the firm, and not primarily by projects. This is problematic in many project-based businesses, which tend to see the firm as made up of series of projects or as a bundle of projects rather than a firm supporting its programme of projects. Strategic client management can be a victim of this by making it hard to get it on the agenda and embedded into firms. It is therefore perhaps unsurprising that strategic client management has been perceived primarily as a means to increase turnover among consultants and contractors, rather than as a means to improve performance for clients as the primary motive and hence improve their own performance as a secondary motive<sup>12</sup>. The evidence presented in this report shows this still is the case.

### **Purpose**

Conceptually strategic client management concerns processes for improving performance, including the service experience, for mutual benefit. There may be debate about mutuality, but the implicit understanding is that by making improvements for the client, the consequence or secondary benefit is improvements for the provider. It has already been noted that historically the primary motive is reversed: improve repeat business through client management in construction and with the implicit assumption that improvements flow to clients. However, we need to understand the motivations behind strategic client management today. What do individuals see as the purpose of client management today in construction?

Those working within highly transactional firms in construction primarily aim to secure work, hence turnover, by managing clients in the business development stage<sup>13</sup>. A less overtly self-interested view is taken among some construction consultants. The purpose of managing clients is about *ensuring that we provide a good level of service*<sup>14</sup>. Other consultants are more self-interested, also aiming to secure valuable work. Some work arises through reputation and recommendation: *word of mouth is absolutely everything for us*<sup>15</sup>. One consultant reported: *We don't advertise, but the clients find us*<sup>16</sup>, seemingly justifying an inward focus. Self-interested motives are underpinned by the rule of thumb notion that it is five times more expensive to secure a new client than retain an existing client and strike rates for winning work tend to be higher with existing clients<sup>17</sup>. Contractors were primarily self-interested, with a consequence that they tended to be reactive rather than investing in capabilities.

Strategically securing client relationships is key to securing projects in the pipeline. It was further reported that strategic client management reaches beyond clients to include relationship management with funders in order to meet their needs, and sometimes statutory regulators, government and other institutional bodies because their interests can form an important part of proposal documents to qualify and bid for projects and programmes such as framework agreements. These stakeholders and strategic client or relationship management become particularly important on “big major projects”, hence large complex

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<sup>12</sup> For example, see Smyth (2015).

<sup>13</sup> Ibid.

<sup>14</sup> Managing Director of the London Office a Large UK Architectural Practice.

<sup>15</sup> Co-founder of a Prominent UK Architectural Practice.

<sup>16</sup> Senior Consultant and Founder of a Norwegian Practice.

<sup>17</sup> Founder of a UK Marketing and Stakeholder Consultant for the Built Environment; cf. Smyth (2000).

projects, programmes and megaprojects<sup>18</sup>. The Norwegian informants were unaware of any strategic client management, either in their own company or others. Their effort was primarily to try to identify clients they would like to work with in order to secure a project pipeline with low risk<sup>19</sup>. Therefore, strategic client management is largely absent, including managing the firm-project interface to improve tactical operational level of project delivery, hence clients are unaware they were 'special' or selected as key clients.

In terms of prioritisation, client management was listed as the third strategic priority behind architectural ambition and making money<sup>20</sup>. While contractors did not specify prioritisation, prior research has placed profit and health and safety as the top two, so ranking client management in the top three to five may not be unreasonable.

Strategic client management is only purposeful if clients value it. Highly transactional clients may not. Those interviewed were not more specific about the purpose of strategic client management and indeed client management more generally. There was more precision as to the improvements sought for the providers rather than clients, reflecting the continued dominance of self-interested motives.

### **Roles**

Client management can be a designated role. This is the case in advertising agencies where an account or client manager is employed. There are specific client management activities, and the role can be spread across other functional roles, for example strategically with business development and senior management, and tactically activities within project management. However, all those directly engaged with personnel on the client side have a role, as do some with indirect influence such as finance managers who have a role through their decision-making around resource allocation.

Where roles and specific activities are allocated by management, the way in which they are conducted, and the way coordination occurs with others, requires consistency and continuity. Sets of agreed processes and procedures are needed and are typically supported by digital systems. For example, in one architectural practice, the founders develop good relationships with senior management among key clients, younger directors being encouraged to develop strong client relationships at their corresponding level<sup>21</sup>. Involving young people in developing client relationships through events as well as projects to groom the next generation is important in client management<sup>22</sup>. More broadly, interviewees tended to report upon specific issues rather than roles and how they are conducted.

For example, among construction consultants, differences emerged around decision-making. Smaller consultants focus upon strategic the selection of market sectors and work type according to their capabilities, while larger ones are less selective and driven by turnover rather than their own capabilities<sup>23</sup>. Many clients select large consultants more for their own reassurance and project business case credibility with others, especially funders and other stakeholders, rather than select the best consultants in their field. In this way the role of strategic client management is somewhat diluted among the large consultants yet need

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<sup>18</sup> Head of Proposals with a UK Construction Contractor.

<sup>19</sup> CEO of a District/General Manager of a Norwegian Contractor; Head of Project Development of a Norwegian Contractor.

<sup>20</sup> Co-founder of a Prominent UK Architectural Practice.

<sup>21</sup> Co-founder of a Prominent UK Architectural Practice.

<sup>22</sup> Managing Director of the London Office a Large UK Architectural Practice.

<sup>23</sup> Founder of a UK Marketing and Stakeholder Consultant for the Built Environment.

reassurance as to the financial standing of clients and their willingness to pay to ensure cashflow.

A small Norwegian consultant would only work on design and build contracts with a contractor as a client, while avoiding public design-bid-build contracts where fixed prices are demanded and inexperienced consultants employing a lot of man-hours tend to prevail: *It is not the price that is important it is the head room you get*<sup>24</sup>.

Another example is the tension on design and build contracts among consultants. Clarity on who the client is – the developer for contractors or the contractor and developer for consultants and subcontractors – arises in these contracts. Managing two parties, their contrasting expectations and perspectives can be challenging. Large construction contractors are easier to manage, but third tier firms tend to be difficult; there can be multiple cost challenges, changes and real clashes from the outset to final payment<sup>25</sup>. Overall, contractors are to be respected. Telling tales to clients, “poisons” those relationships<sup>26</sup>. There always needs to be some kind of relationship with the original commissioning client to assess alignment of needs and expectations as well as important decision-making<sup>27</sup>.

### ***Conduct and relationship management***

The importance of building relationships, especially with key clients, is seen as critical. Engagement is a first practical step. Identifying potential clients and key clients is a first strategic step. Different clients require different approaches. Some clients are very hands off while others intervene, wanting to know social value, employment statistics, productivity<sup>28</sup>. Some clients are more bureaucratic and procedural than others<sup>29</sup>. At an individual level, building the personal relationship over many years is important. Post-recession and post-Covid people are moving around more and this both poses a threat to maintaining repeat business clients and opportunities for identifying new ones<sup>30</sup>. This was reported by a consultancy that has historically been strong at creating interpersonal bonds<sup>31</sup>.

It was claimed that project management consultants present a barrier to client management and increase bureaucracy<sup>32</sup>. This is a challenge to be managed. In one contractor such challenges are addressed through a central strategic accounts team. Clients are strategically managed at this level, as is project pipeline management at the interface between business development and the project front-end. Pipelines are managed by the regional branch offices. It is through the interplay between personnel at the two structural levels that leads to business development becoming more technical and delivery based while the operations management become more client focused. This appeared to be a largely successful example of boundary spanning roles, functions and indeed locations. There are still instances of project specific decisions aligned purely to cost control criteria that take precedence over strategic and long-term client management aims<sup>33</sup>.

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<sup>24</sup> Senior Consultant and Founder of a Norwegian Practice.

<sup>25</sup> Co-founder of a Prominent UK Architectural Practice.

<sup>26</sup> Ibid..

<sup>27</sup> Managing Director of the London Office a Large UK Architectural Practice

<sup>28</sup> Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>29</sup> Co-founder of a Prominent UK Architectural Practice.

<sup>30</sup> Managing Director of the London Office a Large UK Architectural Practice.

<sup>31</sup> Smyth (2000).

<sup>32</sup> Co-founder of a Prominent UK Architectural Practice.

<sup>33</sup> Client Account Director with a UK Construction Contractor.

Trust is important in relationship management. Trust has to be built internally as well as externally with clients, indeed, trust built with clients is only as strong as the trust internally<sup>34</sup>. Relationships of trust and mutual respect are critical and need to be built across multiple people internally and externally to strategically strengthen the relationships to facilitate effectively addressing problems as they arise. Successful resolution typically requires negotiation and decision-making with several or multiple people. For example, *if the contractor has problems getting a change order from the client we usually don't push our claims to the contractor because we know that if he gets the change order he rewards us roundly*<sup>35</sup>. Therefore, this also depends upon clients seeing trust building to be of strategic importance.

Relationship building may induce personal meaning, but the aim is corporate and need not necessarily be harmonious. When conflicts and clashes occur, client management provides a strong strategic base in firms to resolve them, ideally for mutual benefit. More serious clashes that initially appear personal, come to be seen as the pursuit of different and mutually exclusive objectives that erode trust or as one interviewee stated come to be seen as cultural clashes<sup>36</sup>.

It is vitally important to manage client expectations in relation to what can reasonably be delivered. A few firms offer a solution to this challenge. They sell a standard solution to clients – their value proposition and mode of execution. Collaboration is a key component of the approach, although the delivery model may vary according to client requirements. The approach is claimed to facilitate managing communications so that clients always hear the same message<sup>37</sup>.

Although senior management play a critical strategic client management role regarding internal decision-making and regarding engaging with counterparts on the client side, it was reported that they can be a weak link in effective coordination; senior management may not feed important information into the client relationship management (CRM) software systems and other relevant digital platforms. Sometimes it is necessary for the client manager to meet with each senior manager and feed the information into the CRM system on their behalf. This also occurs with operational personnel<sup>38</sup>. It was reported that the practice is improving and may therefore be a generational issue among senior managers. A contingent budget at programme management level may be needed in the firm to facilitate operational management engagement with the process. Nevertheless, sometimes important information *falls through the cracks*<sup>39</sup>, highlighting the challenge of effective boundary spanning across internal functions.

One major UK contractor has switched from a largely transactional business development process to a KAM model, changing the focus from primarily upon project pipelines towards client management. Pioneered in the civils division, the aim is to roll it out across other divisions and sectors. Analysis had shown that repeat business clients yielded the majority of the turnover and these clients fed back that senior management were often only visible when a project entered the pipeline and became live. Clients are now saying they have noticed the

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<sup>34</sup> Smyth (2015); Smyth and Edkins (2007).

<sup>35</sup> Senior Consultant and Founder of a Norwegian Practice.

<sup>36</sup> This was an extreme example illustrating how tensions can be exacerbated under design and build contracts: *There's one contractor where every job we've been novated on has ended in court; 33 jobs in 15 years* (Co-founder of a Prominent UK Architectural Practice).

<sup>37</sup> Head of Proposals with a UK Construction Contractor.

<sup>38</sup> Client Account Director with a UK Construction Contractor.

<sup>39</sup> Ibid..

improvements from the contractor since they switched to a KAM model. It is claimed to be currently helping to differentiate the firm in the marketplace<sup>40</sup>.

Clients promote relational contracts instead of the traditional transactional construction contracts in Norway: *We get the contractors we deserve*<sup>41</sup>.. This is decided in the competition, although more generally UK clients want collaboration but not necessarily enshrined formally in a relational contract.

Overall, all the firms rely upon informal behaviour for implementation, especially as strategic client management moves from the project front end towards delivery. Consultants are most reliant upon informal conduct and relationship building both strategically and tactically. 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.

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<sup>40</sup> Client Accounts & Marketing Director with a UK Construction Contractor.

<sup>41</sup> Project Leader in a Norwegian Public Client Organisation.



## Systems

Conduct and relationship management need systems in support to guide consistent endeavour and for capturing information to inform decisions and action. Relationships hence clients, cannot be effectively managed without such support.

It was found that most UK firms have a client management system or customer relationship management (CRM) software programme, such as Salesforce®, which is employed to various degrees of engagement and sophistication. However, the software system or platform is only as good as the human systems of relationship management. Behavioural codes and specific procedures are required as part of the client engagement and management process. This applies to single clients but also is needed to coordinate strategic client management across an organisation<sup>42</sup>. **Except for one private client organisation, none of the other Norwegian informants had a CRM system. A subcontractor reported that they had client relations as a part of their QA system.**

Most contractors have CRM systems, even though the human systems to guide conduct and relationship management are largely lacking. Where relationship management is specified, there are variable degrees of aligned behaviour. Some consultants employ CRM systems, but this is far from universal, even among the large firms. They are however quite robust employing informal behaviour because their training and qualifications instil into them the role of the knowledge worker and professional codes that serve to help guide behaviour in strategic client management.

However, the adoption of CRM systems and KAM have been almost totally self-interested, based upon growing the income from key clients rather than improving the service performance or technical quality: *a self-motivated benefit mindset*<sup>43</sup>. This emanates from transactional business models based upon cashflow management rather than committing resources to yield a return on investment. A major gap exists between employing a system and mobilising it to improve performance to serve clients. Simply paying clients more attention and learning about their ways of working more closely is insufficient.

Even from the purely self-interested perspective, CRM systems are not comprehensively employed. It was found that offices and divisions did not coordinate client management within large consultant practices<sup>44</sup>. The pattern was repeated among most contractors<sup>45</sup>. While clients may wish to spread their risks between different consultants and contractors for different project types and sectors, opportunities for the same types of skill sets and experience among key clients were being missed due to a lack of systematic relationship, hence client management.

CRM systems are not the only platforms employed. They provide valuable central strategic support for client management. Social media provides further support and was widely cited as a useful mode of information dissemination for captured intelligence<sup>46</sup>.

***“Contractors are generally poor at managing their clients. We have a CRM system for our clients, and it is strange that the contractors and subs don’t have that.” (Project Leader in a Norwegian Private Client Organisation.***

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<sup>42</sup> Founder of a UK Marketing and Stakeholder Consultant for the Built Environment.

<sup>43</sup> Ibid.

<sup>44</sup> For example, the Managing Director of the London Office a Large UK Architectural Practice.

<sup>45</sup> For example, the Client Accounts & Marketing Director with a UK Construction Contractor.

<sup>46</sup> Client Accounts & Marketing Director with a UK Construction Contractor.

## **Procedures**

Client engagement is conducted regularly – prior to known projects, qualifying for projects, during project delivery and between projects for repeat business clients<sup>47</sup>. What ‘regularly’ means varies client-to-client and among individuals on the client-side according to their role, personal dispositions as well as corporate agendas. Monthly contact seems to act as a rule of thumb from which to depart according to circumstances and context. Some clients steer away from contact perceived as ‘entertainment’ for transparency and ethical reasons. Senior project personnel in consultants and contractors do not systematically engage with key clients between known projects with tactical and sometimes strategic consequences for client management<sup>48</sup>.

The main board reviews key clients on a monthly basis, although other agenda items can squeeze out this procedure<sup>49</sup>. Another contractor employs regular key account briefings to update information, ensure continuity of strategic client management and assess obstacles to be overcome<sup>50</sup>. New and key clients are allocated against senior management, business development managers and key account managers.

CRM software, such as Salesforce®, provides the platform for many procedures, including all contact, follow on actions, and any other data that complies with GDPR. Key summary data may feed into a corporate dashboard<sup>51</sup>. Projects may be set up on a CRM system. Business development managers initiate handovers to bid team and then this is replicated for operations with a contract handover meeting. Client management information secured in quantity and quality was reported across construction as variable, although there has been improvement in construction within the bounds of GDPR in recent years<sup>52</sup>. The value of client management information is not always appreciated across an organisation. This can be evident for example, among project managers in firms that draw them into the bid process to ensure continuity at the firm-project interface. Not all relevant handover information is therefore captured and transferred or may not be available through digital platforms. The frequent lack of specified mandatory procedures frustrates continuity. Further clients can set unrealistic timetables and deadlines resulting in insufficient attention being given to align all the dimensions of client needs and expectations with the value proposition and its delivery. Most key clients value consistency and want key personnel on successive projects, who are familiar with the client’s assets and approach, however, financial drivers tend reallocate teams to maximise resource utilisation at the expense of client expectations.

The lack of procedures constrains linking strategic and tactical client management as well as maintaining tactical client management among specific operational decision-makers. Procedures may take the form of required decisions and action at critical points of client and project lifecycles. It may take the form of behavioural norms as part of a behavioural programme or a behavioural code of conduct.

One subcontractor, develops key client relationships on a very informal basis, backed up by formal meetings that are professional and governed by rigid rules. Senior management, including senior project managers, are allocated to KAM roles to develop improved service

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<sup>47</sup> Keeping in contact between projects has been referred to as managing the *sleeping relationship* by Hadjikhani (1996).

<sup>48</sup> Founder of a UK Marketing and Stakeholder Consultant for the Built Environment; see also Smyth et al. (2019).

<sup>49</sup> Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>50</sup> Client Accounts & Marketing Director with a UK Construction Contractor.

<sup>51</sup> For example, the Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>52</sup> Managing Director of the London Office a Large UK Architectural Practice.

integration. Procurement regulations initially inform and later drive the formal interactions at the firm-project interface. Commencing procurement is when communications intensify<sup>53</sup>.

A contrasting perspective was offered where it was claimed that writing procedures for managing relationships is impossible because everyone is different. However, the interviewee went on to state that listening is a key behaviour<sup>54</sup>. There is IT awareness, but perhaps less awareness concerning human systems in relationship management and specifically for strategic client management.

### ***Interfaces with other systems***

The general shortfalls in client management systems and procedures have been covered, which include the challenge of achieving continuity through spanning different roles and functions, for example business development and bid management, and then project management along the project lifecycle. However, spanning different systems involving different capabilities poses further challenges. Linking client management and knowledge management (human and digital) systems within the consultant or contractor firm to improve performance over successive projects for a key client and across the programme of projects for different clients is a case in point. Nor do the systems reach into operations to capture information that has a bearing on client management for performance improvement either tactically or strategically. Transactional cost and technical considerations dominate decisions, which keep investment in systems and integration to minimal levels.

There are attempts being made to break down current barriers and improve integration. For example, during the qualification and bid stages, proposal writing brings together engineering skills and writing skills with a client orientation and liaising with key account managers. Proposal writers interrogate the CRM system to improve value propositions and develop win strategies<sup>55</sup>. It was also claimed that social media intensifies communications and informally supports the development of client relationships. This is linked to recent client management initiatives to improve internal integration and the procedures for delivery<sup>56</sup>.

The dominant picture remains a lack of coordination and integration. For example, systematic approaches to health and safety as a top priority have developed over recent decades, yet is seen as independent of client management<sup>57</sup>, even though regulation and client requirements have frequently driven improvements. Finance departments operate comprehensive systems, linked closely to cost control. They use systems to check client credit rating, yet financial decision-making is largely undertaken independently of client management<sup>58</sup>.

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<sup>53</sup> Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>54</sup> Infrastructure Project Manager with a UK Construction Contractor.

<sup>55</sup> Head of Proposals with a UK Construction Contractor.

<sup>56</sup> Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>57</sup> Ibid.

<sup>58</sup> See Smyth et al. (2019).

## Individual Behaviours

Individuals are guided by strategy, business model and specific behavioural requirements specified by firms. Compliance is supported by employment contracts and line management controls. However, firms are not normally complete dictatorships and nor should they be as most enlightened management wish to give employees room for manoeuvre a) to mobilise their skill sets and innate talents, b) to employ discretion in decision-making and actions, and c) to increasingly take care and have concern for employees as wellbeing rises up corporate agendas.

Within this context, where too much is left to individual responsibility employers have failed to establish norms to guide informal behaviour and embed systems and procedures, there is and lack of consistency and continuity of behaviour and action to induce efficient and effective client management. It was confirmed that firms in construction predominantly occupy this space.

### **Leadership**

Leadership is important; it is a leadership role to empower senior management and project managers to manage key clients<sup>59</sup>. Where there is considerable reliance upon informal behaviour and individuals taking responsibility for client management, it becomes highly reliant upon the organisational culture and strong leadership. However, there can be over-reliance on leadership in the face of challenges. Good leaders are not always the solution. They can motivate and try to compensate for systemic shortfalls, but at the top they cannot reach into all areas of an organisation and departmental or divisional leaders may be unable to influence others sufficiently.

Leadership is not the same as management. Leaders can instigate strategic decision-making on client management. Leaders can also galvanise senior management to instigate or improve strategic client management and integrate it with tactical client management. In many of the large construction consultants the leadership has initiated strategic client management workshops and training programmes to skill up their teams in terms of knowledge and insight of how to manage client, especially around listening skills and active questioning. It was reported:

*What was always lacking was that the leadership team would not put in business process systems to actually orchestrate and manage it<sup>60</sup>.*

The same source reported that contractors are instinctively better at strategic client management compared to consultants, but the leadership is inconsistent and embedded practices are lacking.

### **Role-based Organisation**

Firms divide strategic client management roles between the top senior management and other management. Some firms subdivide strategic client management roles between business development, dedicated KAMs and between KAMs and project managers at the

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<sup>59</sup> Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor,

<sup>60</sup> Founder of a UK Marketing and Stakeholder Consultant for the Built Environment.

tactical level. KAMs rarely span both the range of strategic and tactical roles on a consistent basis. One firm has dropped the business development role in favour of KAMs<sup>61</sup>.

It was stated that one firm was structured around conflict as a positive driving force, especially, for example in developing business cases and determining content. Conflict frequently focused upon the financial aspects with those in client management roles having to justify at every stage in the project lifecycle their perspective upon the client's needs and expectations. This can amend what would otherwise be merely a cost driven approach<sup>62</sup>. It appears overall that client management, even strategic client management occupies a position of less power and influence than financial and some other organisational functions.

### ***Individual responsibility***

The need for organisational systems is vital to guide action and decision-making. Further, it was reported that while systems help structure relationships, supported by CRM software, concerted behaviour and action is left to individual responsibility, which was described in terms of coordination relying heavily upon a collaborative culture<sup>63</sup>. Norms can remain very transactional, for example KAM is very pipeline driven and managed by individuals taking behavioural responsibility<sup>64</sup>.

Overall, strategic client management was more rigorous than tactical client management. Even where systems were absent or insufficiently embedded, informal communication at senior management level is more likely to cover key personnel than at lower management levels. At the firm-project interface and on projects, coordination and integration is more challenging. For example, during delivery in one construction contractor, relationship building was left to individual responsibility despite the rapid turnover of client staff. Client management was reactive and only enacted through early warning signals on the dashboard<sup>65</sup> or when particular problems arise at the project level that forces client orientated decision-making. A great deal is left to individual responsibility and collaboration<sup>66</sup>.

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<sup>61</sup> Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>62</sup> Business Development Manager of a UK O&G Consultant and Contractor.

<sup>63</sup> Business Development Manager II for a UK O&G Consultant and Contractor; Business Development Manager III for a UK O&G Consultant and Contractor.

<sup>64</sup> Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>65</sup> Regional Project Manager with a UK Construction Contractor.

<sup>66</sup> Asset Manager for an Upstream UK O&G Client.

## Front-End Managing

Strategic client management as a function is instigated in the firm, currently with a prime motive to secure repeat business with a consequential focus upon performance improvement, although from a conceptual perspective the prioritisation would be reversed in order to give more long-term scope to making improvements for mutual benefit. Once the client project becomes live, it becomes an opportunity for consultants and contractors. Today, having a strategic approach towards each project at the front end is far better understood for achieving successful outcomes. Strategic client management has an important role at the front-end as the opportunity moves from business development into the bid and project management stages. It is at the interface between firm and commencing project delivery when strategic client management switches towards tactical client management, although the interdependence of the two has been stated despite the poor linkage in practice.

### ***Managing people and coordinating functions***

Interviewees highlighted the importance of understanding each client's drivers and their performance indicators or criteria for decision making in order to develop together value propositions. Early involvement at the project front-end is important for understanding client needs, adding value and shaping the projects to align client needs and contractor capabilities<sup>67</sup>. Establishing a working partnership is seen an important factor, in which strategic client management plays a critical role<sup>68</sup>. Commercial teams may have meetings with business development as opportunities are flagged, bids are submitted approval through a series of decision gates before being signed off. The finance department examine and approve all client submissions, although it seems that cost control rather than investment-led decision-making to improve performance was to the fore, especially at front-end stage gates such as the decision to bid and bid approval.

Project teams begin to be shaped as the project dimensions are clarified or when the firm becomes the preferred bidder<sup>69</sup>. Strategic client management can play an important role in shaping the team and a tactical client manager becomes a team member. At a tactical level a Norwegian subcontractor in construction employed interim evaluations with the client, conducted through short meetings with the subcontractor department head and the client representative. They had a set of procedures and criteria to evaluate and propose improvements in the project execution, thus leading to service improvement for the client<sup>70</sup>.

In practice construction tended to be weak or very partial at managing the firm-project interface – between the project front-end and delivery – and weak at instigating effective tactical client management, although tactical client management appeared more coordinated in Norway than in the UK.

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<sup>67</sup> Client Accounts & Marketing Director with a UK Construction Contractor.

<sup>68</sup> Infrastructure Project Manager with a UK Construction Contractor.

<sup>69</sup> Ibid.

<sup>70</sup> Department Head of a Norwegian Subcontractor.

### ***Delivery model selection***

Clients frequently determine the model. Some clients are prepared to negotiate the precise mechanisms, for example collaborative practices for delivery<sup>71</sup>, giving more scope for contractors to shape delivery. Some clients do not have the experience or knowledge to effectively select the delivery model<sup>72</sup>, which can subsequently lead to misalignments and conflict. Appropriate delivery model selection reduces contractor management during delivery and can reduce rework and redundant work. This can be critical for it is often where profit is made, or losses incurred among consultants and contractors<sup>73</sup>.

One example of delivery model selection is provided by a client that wants alignment. A single supplier framework, nationally applied and based upon target cost contracts, involves an emphasis upon value engineering to stabilise or reduce costs. Financial support for this comes from a separate innovation fund that is provided at programme management level on the client side to facilitate performance improvement. The aim of the framework is to encourage collaboration, and this is achieved to a considerable degree<sup>74</sup>. This example shows client understanding of the limits of transactional working and need for contingent funding at programme management level, although it appears that contractors in particular do not recognise the need for programme management funding for developing capabilities to improve performance, including support from strategic and tactical client management.

In the UK there is preference for collaboration, while in Norway there remains a tendency to highlight the benefit of collaborative delivery models. The suppliers in particular see collaborative delivery models as the best way to help the client achieve improved value for money.

### ***Understanding needs and expectations for performance and value configuration***

Clients do not always know their precise needs, even when they think they do. Different angles about needs are often spread between different people in terms of organisational strategy or policy and for particular projects. Further, all projects have high levels of uniqueness and uncertainty. Service quality, of which strategic client management is part, is important in gaining an understanding at all levels. This obvious point is nonetheless repeatedly overlooked or underplayed by engineers and technical people, who tend to focus upon physical inputs. At project level, there has to be a considerable exchange of detailed information and extensive interaction around expectations to overcome these shortfalls. Where contractors consider all level, they try to understand client expectations in order to adjust their service to meet client needs<sup>75</sup>.

Clients vary in their ability to convey their needs and expectations, for example property developers have serial projects and are experienced, whereas other clients, such as some public sector organisations, are inexperienced communicators and need more client management and clear presentations during the decision-making process<sup>76</sup>. Ultimately,

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<sup>71</sup> Ibid.

<sup>72</sup> Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>73</sup> Managing Director of the London Office a Large UK Architectural Practice.

<sup>74</sup> Regional Project Manager with a UK Construction Contractor.

<sup>75</sup> Client Account Director with a UK Construction Contractor.

<sup>76</sup> Co-founder of a Prominent UK Architectural Practice.

understanding clients' needs and expectations come via interactions to help *their voice to come out in the design; you want their voice heard*<sup>77</sup>. Listening is an important skill. Strategic client management may involve taking decisions to undertake a project which is not an ideal fit; it is critical to preserving the relationship<sup>78</sup>. Price, quality and schedule vary in priority by client and project. For example, a leading infrastructure contractor responds to client requirements around health and safety and other issues of management quality, while as a subcontractor in construction, cost issues are more to the fore<sup>79</sup>. Key client personnel also vary in the precise expectations and contractor management has to be aligned as far as possible to serve the span of interests and requirements<sup>80</sup>. In Norway, clients are rigid as to what they want, and contractors have to find ways to persuade them how variant and alternative option may lead to the best achievable solutions<sup>81</sup>.

Business development managers may not always be best placed to understand and interpret client needs for a specific project; other senior personnel from operations and with a commercial perspective may be better<sup>82</sup>. For one repeat business client, the contractor has to develop the front end to a considerable degree because the client lacks the in-house capabilities<sup>83</sup>. This was echoed regarding the management of public sector construction clients, where contractors can help shape the projects to reduce costs – described as providing an *intelligent service*<sup>84</sup>.

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<sup>77</sup> Ibid.

<sup>78</sup> Ibid.

<sup>79</sup> Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>80</sup> Client Account Director with a UK Construction Contractor.

<sup>81</sup> CEO of a District/General Manager of a Norwegian Contractor.

<sup>82</sup> Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>83</sup> Regional Project Manager with a UK Construction Contractor; see also Winch and Leiringer (2016).

<sup>84</sup> Client Account Director with a UK Construction Contractor.



## Delivery Management

The aim of one construction contractor is to move away from a primarily cost-driven approach to a client management approach<sup>85</sup>, implicitly recognising that it is through relationships that value is added<sup>86</sup>. A relationship approach helps manage risk for the firm and increases client satisfaction with the service when supported by training to improve interaction with key clients. Strategic client management acts as the internal *eyes and ears of the client* to inject value on projects and deliver the value proposition<sup>87</sup>. Client considerations must figure to avoid being *too heavy commercially* during delivery. Sometimes decisions must be escalated to strategic senior management level in order to consider the broader perspective<sup>88</sup>.

Team members are frequently reallocated to other projects during and after delivery. Some clients may insist on key personnel continuity. When clients bring in new personnel it is used as an opportunity for contractors to do likewise on and between projects<sup>89</sup>. When issues arise during delivery, one role of tactical client management is to ensure the client viewpoint is considered<sup>90</sup>. It was also reported that while long-term client considerations must be taken into consideration, for any one project the contract takes precedence in decision-making<sup>91</sup>, which implies meeting minimum requirements, hence a low responsiveness to adding and co-creating value. One of the problems is that employees tend to hide behind client jargon such as following *client drivers* when the understanding as to what this means is far from clear<sup>92</sup>.

Engagement with the local community is considered important on all large construction projects. While this is not necessarily specified by clients nor written into the contract, it has an indirect impact upon tactical and strategic client management. Certain public sector clients do specify contractors use local subcontractors, especially catering, cleaning as well as specialist construction firms<sup>93</sup>.

Construction contractors appear to be reasonably engaged with tactical client management during delivery, even though the responsiveness did not always result in delivery improvements. **The client management happens through the projects. It is important to deliver the expected quality on time and cost. This is the foundation of further collaboration with the client. The clients mainly focus on zero errors and zero HSE incidents. (CEO of a District/General Manager of a Norwegian Contractor).** Design consultants tend to be more vigilant interrogating client requirements and may have their own interpretation as to what fulfils the stated needs.

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<sup>85</sup> Client Accounts & Marketing Director with a UK Construction Contractor.

<sup>86</sup> See Pryke and Smyth (2006).

<sup>87</sup> Client Accounts & Marketing Director with a UK Construction Contractor.

<sup>88</sup> Infrastructure Project Manager with a UK Construction Contractor.

<sup>89</sup> Ibid.

<sup>90</sup> Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>91</sup> Infrastructure Project Manager with a UK Construction Contractor.

<sup>92</sup> See Smyth et al. (2019).

<sup>93</sup> Infrastructure Project Manager with a UK Construction Contractor.

### ***Managing the firm-project interface***

This subsection adds to previous points made above and earlier at a more detailed level. The firm-project interface is where behaviours and systems are conceptually linked to enable a seamless connection between strategic and tactical client management. Contractors in particular lack this seamless connection at the firm-project interface in practice. The content of proposals and bid submissions that define a successful winning strategy do not automatically get delivered against by project and construction managers. There is no mechanism in place to guarantee the value proposition is delivered<sup>94</sup>.

Project teams tend to be good at tactical client management yet lack support and relevant information from senior management on the one hand and on the other hand fail to share lessons learned with business development in order to improve value propositions developed for clients. Consultants are better at support and both feeding and feeding back information, albeit largely on an informal basis rather than defined and embedded protocols<sup>95</sup>. For example, one consultant had a range of resources to facilitate learning and knowledge transfer to improve design performance<sup>96</sup>.

One contractor does retain a strong strategic client management during delivery, regularly asking how the service performance measures up: *they remain as a client advocate all the way through the process* yet nonetheless client management did not reach into tactical operations, and this was acknowledged to be the case<sup>97</sup>. Another contractor reported: *We make sure the project manager knows he is working with a preferred client*<sup>98</sup>, yet there is no formal meeting between the management and the project manager to convey to the project manager the key client status.

### ***Managing people***

While people and relationships have figured directly and indirectly to a considerable extent, the following additional comments are included.

Client management involves engagement between organisations, and it is widely recognised that effective internal management is needed in order to support and conduct external relationships in concerted and consistent ways. Internal management between different roles and functions of management is challenging to ensure strategic client management is effective and linked to tactical client management<sup>99</sup>. The internal challenge can be divided into two: horizontal relationship management and vertical relationship management. It was reported that it is much easier managing internal relationships horizontally, for example between business development and bid management which has been strengthening recently than vertical or top-down relationships<sup>100</sup>. While specific explanations were not provided it was stated that while in the example between business development and bid management, the business development managers emphasise soft skills and bid management tend to be technical engineers, hence their decisions need to be tempered to align with the cultural and organisational client requirements, improvements have been made through applying

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<sup>94</sup> Head of Proposals with a UK Construction Contractor.

<sup>95</sup> Founder of a UK Marketing and Stakeholder Consultant for the Built Environment.

<sup>96</sup> Co-founder of a Prominent UK Architectural Practice.

<sup>97</sup> Client Accounts & Marketing Director with a UK Construction Contractor.

<sup>98</sup> CEO of a District/General Manager of a Norwegian Contractor.

<sup>99</sup> For example, the Client Account Director with a UK Construction Contractor.

<sup>100</sup> Client Account Director with a UK Construction Contractor.

strategic client management<sup>101</sup>. The firm-project interface is where the horizontal clashes with the vertical over the project lifecycle. Further, top-down and short-term commercial project cost control can militate against tactical client management during delivery with its longer-term focus over the rest of the project lifecycle and other parallel and serial projects when there is no contingency budget at programme management level.

This reasoning from the totality of the findings in this report suggest major shortcomings in managing people, especially during delivery and from vertical or top-down decision-making and action.

### ***Engagement with systems***

Systems and procedures have been considered overall. Concerning delivery specifically, the overall finding is that people are poor at engaging with systems. Reasons were not provided by interviewees, but the implicit assumption being made appears to be personal preference, where firms were not making engagement mandatory and monitoring engagement. Particular factors present are strong levels of independence between departments – so-called silo working – plus a lack of resources, especially at operational level within project budgets that do not allow time nor costs for engagement with tactical client management, learning and effective knowledge transfer. In addition, regarding monitoring engagement human resource policies that do not annually require individual performance to be monitored against these issues.

One example provided is where client project costs are carefully monitored for delivery, including what is invoiced. What is not monitored is measures around capability development, that is what needs to be developed to improve performance for key clients<sup>102</sup>.

### ***Tactical client management and bottom-up feedback***

The challenge of managing the firm-project interface and the lack of effective bottom-up learning and feedback is recorded. Further, at operational level, the dominant focus is on the project content and deliverables. Less attention is given to service. KPIs are frequently cited as a gauge for performance, yet KPIs are standard compared to the variety and frequently the complexity of client needs. Therefore, the feedback into tactical client management is poorly considered<sup>103</sup>, and hence the feedback to strategic client management is constrained.

### ***Subcontractor involvement***

Consultants subcontract services beyond their scope of capabilities. Consultant design teams work in reasonably integrated ways, especially where consultants are multi-disciplinary. Main contractors are less integrated as teams and especially across departmental functions. Passing risk, sometimes excessively, along the supply chain where possible does not lead to integration. Further, the requirements and contract terms between the main client and contractor are not always echoed between contractor and subcontractors where more stringent terms can be imposed. Clients sometimes require utilisation of local

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<sup>101</sup> Ibid.

<sup>102</sup> Managing Director of the London Office a Large UK Architectural Practice,

<sup>103</sup> Client Account Director with a UK Construction Contractor.

SME subcontractors in awarding projects to add social value<sup>104</sup>. These factors also inhibit integration.

One Norwegian subcontractor has preferred contractor clients, The subcontractor has two or three strategic meetings a year to discuss current projects, closed projects and potential projects on which to collaborate<sup>105</sup>.

A countertrend seen in one major contractor is to deliver key project content directly rather than subcontract<sup>106</sup>, whether this takes the form of direct labour or through ownership of a specialist subcontracting division. This appears to be a slowly growing trend, reversing the growth in subcontracting over the last serial decades.

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<sup>104</sup> Head of Proposals with a UK Construction Contractor.

<sup>105</sup> Department Head of a Norwegian Subcontractor.

<sup>106</sup> Client Account Director with a UK Construction Contractor.

## Performance and Value to Clients

The findings show that the primary motive for managing clients is to secure repeat business. That supports contractors and consultants increasing their responsiveness to clients, learning how clients work and more detailed knowledge of their needs and expectations. It seems not to include investment in new management capabilities nor technical and technological capabilities to improve performance, which has been noted in previous research<sup>107</sup>. This is a current gap, especially among contractors where the relationship between strategic client management and the finance and commercial departments is weak in terms of leveraging investment<sup>108</sup>, even on an annual incremental basis. The dominant transactional approach of finance and commercial departments militates against investment and forms the main barrier to putting performance improvement as the first priority of strategic client management.

Most of the initiatives to generate improved value is client driven. Interviewees reported that capabilities to reduce the carbon footprint is an area being demanded by clients where contractors have to respond. Digital capabilities are another area of recent growing importance, commencing with BIM demanded by public sector clients<sup>109</sup>. Previously, contractor management of health and safety rose to become a priority on client agendas – an issue still high on consultant and contractor priorities, although health, safety and wellbeing was not raised across the interviews in relation to strategic client management.

### ***Delivery model impact***

The subsection on delivery model selection demonstrated that the procurement route and contracts employed affect the ability to manage clients effectively. A key issue with client delivery model selection is where it is used to disproportionately transfer risk to the supplier, thereby increasing the relationship tension, hence relational risk during delivery<sup>110</sup>. In terms of impact on the ability to manage clients, relational risk constrains performance improvement generally and holds back client management. It also adds to project costs in managing the project tensions and where contract disputes arise.

A further particular area for construction consultants is the use of design and build contracts with novation. Design and build contracts incur additional tension of having two clients – contractor and the ultimate client – reducing opportunities for innovation and increasing delivery costs<sup>111</sup>.

Rigorous strategic client management, especially where performance improvement is a top priority, can help influence client selection of the delivery model especially over serial contracts, where the impact of inappropriate selections can be fed back and reflected upon together. Framework agreements emanating from clients for both contractors and subcontractors give security and scope for greater performance improvement<sup>112</sup>.

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<sup>107</sup> Smyth (2023).

<sup>108</sup> For example, the Client Account Director with a UK Construction Contractor.

<sup>109</sup> Client Account Director with a UK Construction Contractor.

<sup>110</sup> Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>111</sup> Co-founder of a Prominent UK Architectural Practice; Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.

<sup>112</sup> Regional Project Manager with a UK Construction Contractor.

### ***Adding and co-creating content value***

Those in business development tend to be particularly focused upon service quality. This can be purely value for money around a transactional approach, added value where technology and service are to the fore or explicitly co-creating value within a collaborative approach. Markets are predominately transactional, hence price driven. Client procurement departments are instigators. The approach constrains the ability to add and co-create value. An underlying explanation comes from the client management perspective that the precise value of the content of projects is unknown in advance because projects are unique and how they perform in use remains uncertain. Bid prices, hence project costs look authoritative, hence 'known', despite outturn costs typically differing significantly. This skews decision-making away from adding and co-creating value, constraining consultants and contractors from significantly improving value propositions and delivery. While there is debate over the ratio of capital costs to costs incurred in use, short term trade-offs tend to mitigate improving the value and reducing the costs incurred over the lifetime of a project in use.

More generally, interviewees agreed that a great deal of co-created value is achieved through operational collaboration, especially around technical problem solving<sup>113</sup>.

### ***Adding and co-creating service value***

The transactional emphasis means that technology quality and differentiation has more influence than service, although there is overall less room for manoeuvre than in the past<sup>114</sup>. It is claimed that value is added where contractors contribute to the design of the facilities<sup>115</sup>, which is part of the pattern of key specialist functions being taken in-house.

Collaboration, acknowledged for providing co-creation opportunities, was seen to be enhanced through the co-location of project teams<sup>116</sup>. While management competencies and capabilities were mentioned alongside collaboration as means to improve service value and the service experience, there were two notable omissions. First, there was no explicit mention of improving strategic and tactical client management through rigorous systems and procedures to improve service value, although there was occasional implicit or tacit recognition. Second, there was no mention of investing in management as being part of the social capital of the firms, which appreciates with use rather than depreciating with use along the lines of technologies. Finance departments were included in this lack of recognition.

### ***Impact upon climate change, building life cycles and whole life costs***

Strategic client management plays an important role in anticipating client needs and articulating the needs to others internally, for example bid managers and project managers. Anticipating client needs was largely absent from the findings as suppliers largely react to client drivers.

There is considerable client pressure to constantly improve performance regarding the environment and climate change. It is an area of constant and incremental capability development<sup>117</sup>. All clients demand carbon reduction for each tender, and improvements need to be written into proposals for every aspect of a programme or project<sup>118</sup>. Although

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<sup>114</sup> Manager of a UK O&G Product Service Line Subcontractor.

<sup>115</sup> Regional Project Manager with a UK Construction Contractor.

<sup>116</sup> Ibid.

<sup>117</sup> For example, the Client Account Director with a UK Construction Contractor.

<sup>118</sup> Head of Proposals with a UK Construction Contractor.

contractors reactively pursue improvements, the responses can be seen as positive opportunities because they lead to co-creating value<sup>119</sup>.

However, climate, biodiversity and whole life costs pose a challenge because many clients are unable to fully articulate their priorities. Yet, clients are increasingly becoming more sophisticated regarding these issues<sup>120</sup>. Currently, environmental sustainability is the client priority for project delivery with less attention given to issues around project lifecycles in use and whole life costs. It was stated that there is rhetorical client willingness to address specifications to reduce whole life costs, but there remains a lack of client commitment to act<sup>121</sup>. **It is easier to develop sustainable solutions in collaborative contracts. It is easier for the client to see the cost and value of the issues.** (Head of Project Development of a Norwegian Contractor)

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<sup>119</sup> Client Accounts & Marketing Director with a UK Construction Contractor.

<sup>120</sup> Head of Proposals with a UK Construction Contractor.

<sup>121</sup> Infrastructure Project Manager with a UK Construction Contractor.

## Performance and Value to the Supplier

Strategic and tactical client management that leads to performance improvement for clients will also yield improvements for the consultants and contractors as suppliers through efficiency gains and greater effectiveness. Even though some client improvements may not yield direct improvement for suppliers, they will lead to future referral and repeat business. While it may be hoped that margins will improve, this may not always be the case longer-term because the market adjusts, and clients come to expect lower prices as a result.

### ***Efficiency and learning***

One of the main means of management to improve performance is by securing efficiency and effectiveness gains through organisational learning and knowledge transfer. Improvements in learning and knowledge transfer have been weak and improvement is incremental and slow. Consultants are better as knowledge workers than contractors, whose main motive it to include the 'capability' in their proposals and bid documentation without having the systems and budgets fully in place to facilitate knowledge transfer. A common shortfall is to put an IT platform in place without a human system, budget, and human resource policies to maximise timely and effective engagement.

The shortfalls are worst at project level. It was reported in one case that learning is most intensive on failed projects and knowledge is fed back to the project front-end for future tenders through the production of comprehensive reports<sup>122</sup>. For another firm it was reported that there is no consistent practice for learning and knowledge transfer. Proposals team try to utilise a knowledge management system, which uses data and case studies from projects, but the level of engagement is low, and its relevance limited. In addition, deadlines to submit qualification and tender proposals frequently militate against sourcing and applying transferred knowledge. In one firm, the proposal team do try to plug this gap by interviewing people who are on projects, which is extremely useful: *They come up with this amazing work they've done but hadn't thought to tell anyone because they don't see it as anything special*<sup>123</sup>.

A typical pattern was that knowledge is fed back into successive projects via a report or debriefing events post completion. The shortfalls of this approach are threefold. First, the timeliness of feedback is lost, especially where projects are part of an interdependent programme. Second, valuable detailed information is lost because some key personnel have been transferred during the project and teams disband upon completion. Third, to the extent that KPIs are useful, the feedback is poorly managed. On the positive side, one contractor reported that learning feeds into strategic client management because it provides opportunities to influence the client regarding future projects<sup>124</sup>. As an exception, one subcontractor reported of interim project evaluation, so the project could actually learn and improve project performance, however engagement with post-project evaluation remains low<sup>125</sup>. Overall pattern was that there was no linkage between project learning and knowledge transfer with strategic client management to improve performance on projects.

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<sup>123</sup> Head of Proposals with a UK Construction Contractor.

<sup>124</sup> Infrastructure Project Manager with a UK Construction Contractor.

<sup>125</sup> Department Head of a Norwegian Subcontractor.



## **Repeat business**

Most firm's senior management know the approximate value of the projects they are undertaking, and they know who their top five clients are. They do not know what the strategic value of their key clients is to their business over the next period<sup>126</sup>, say five, seven or ten years based upon the key clients' programmes of work, the likelihood of making tender lists and their strike rate. Therefore, horizons are short term, say two years ahead<sup>127</sup>, and the client lifetime value or client relationship value does not appear on the main business dashboard<sup>128</sup>.

It was reported that client lifetime value is too unpredictable for design practices to calculate. Consultants employ broader office and practice targets and predict against these<sup>129</sup>. This was echoed for contractors where the market changes<sup>130</sup>.

In the short run, strike rates of 25% provide a reasonable target, so the pipeline needs to be four times the target turnover. Strategic client management should be geared to the large clients who yield the greatest levels of repeat business. Repeat business can be around 70% under a framework agreement for a programme of work, which in one case nationally contributes approximately 20% of total turnover for the contractor<sup>131</sup>. Repeat business is around 60% among some consultants<sup>132</sup>. It is therefore valuable directing strategic client management towards key clients who will yield repeat business.

## **Margins**

Strategic and tactical client management may push up costs in the short term, but the payback period is rapid from increased turnover due to repeat business. Sometimes profit margins are positively affected, but margins have increasingly been squeezed over the last 20 years through price competition. The profitable key clients are valuable<sup>133</sup>.

Placing KAMs in a significant role starts is said to improve project profit margins<sup>134</sup>. There are also opportunities for strategic client management to improve both client and project selection.

Shifting from a transactional to a more transformational business model may yield higher returns but may also incur higher costs. This is certainly the case where strategic client management recommends investment in technical and technological capabilities where payback is spread over several years. Investment in management capabilities is lower cost and can be introduced incrementally in some cases. The payback is therefore more rapid, and margins are likely to be higher. However, the main advantage of strategic and client management is the growth in turnover and higher profit margins are a bonus. While these indicative UK figures were not provided by Norwegian interviewees, there is no reason to expect them to differ greatly and the potential gained from strategic client management to be the same.

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<sup>128</sup> Founder of a UK Marketing and Stakeholder Consultant for the Built Environment.

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<sup>130</sup> Client Account Director with a UK Construction Contractor.

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<sup>132</sup> Co-founder of a Prominent UK Architectural Practice.

<sup>133</sup> Managing Director of the London Office a Large UK Architectural Practice.

<sup>134</sup> Client Accounts & Marketing Director with a UK Construction Contractor.



## Next Steps

The strategic direction is to secure performance improvement and the contribution that strategic client management can make towards that aim. The direction requires a more transformational approach to be adopted from the strategy and business model of the firm down to the operational level. Such an approach needs to be more systematic in order to secure the aim and yield the benefits.

There are a number of key recommendations to consider and actions for implementation. The first is directed towards Project Norway as funder. It also applies to all trade bodies and associations in Norway, UK and elsewhere. The remainder apply to the project-based firms in construction.

1. Consider the role of Project Norway in facilitating strategic client management among their membership and stakeholders. In particular, there are differences in evidence gathered in the UK and Norway, for example the employment of strategic client management in the Norwegian construction firm and greater tactical responsiveness across in UK construction firms regarding client management, where lessons for improvement can be transferred and embedded.
2. Firms to address their strategy regarding the role of client management. In developing strategic client management pay particular attention developing a systematic approach and embedding this through coordinated systems, procedures and behaviours in the firm, at the firm-project interface and across projects.
3. Invest in developing management capabilities in general and in particular for effective client management at the firm-client interface to support performance improvement at operational level.
4. Develop a systematic approach to tactical client management to improve decision making for performance improvement for clients and greater internal integration.
5. Allocate contingent resources at programme management level to support tactical client management and for adequate feedback from any project to benefit other parallel and future projects.

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