Strategic Client Management in the Oil and Gas Industry

A Report to the Norwegian and UK Oil and Gas 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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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 oil and gas, 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 aim 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 and 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. The oil and gas sector is reasonable in managing handovers at the firm-project interface, yet omits an effective handover between strategic and tactical client management.

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 oil and gas and 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. A 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 firms 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.

The findings show a mixed picture regarding relational practices. UK evidence, including overseas owned firms, exhibits some pulling back from relational practices due, it is said, to clients becoming more transactional in procurement. They have become more transactional. For Norwegian firms relational practices, and more recently relational contracts and alliances, are commonplace. Strategic collaboration is supported in principle, yet operationally informal interpersonal relationships are dominant. Oil and gas firms are particularly reliant upon structural solutions, which work well if systems are rigorously employed, although there is over-reliance upon informal behaviour. Overall, the practices in oil and gas are similar in the UK and Norway, largely because the firms share the North Sea as an area of operation.

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

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 the project domain. Practice has previously been driven by motives of increasing repeat business, hence potentially turnover and profitability through improving the marginal performance delivered to clients[1]. Client management is a component of relationship management as part of organisational behaviour. Relationship management has received more research attention[2], 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[3]. 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[4].

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 oil and gas physically decoupled[5]. 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. The *aim* of this research is to explore the state of play of strategic client management in oil and gas, hence where it is

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[1] For example, see Smyth (2000; 2015).
[2] For example, see Aarseth (2014), Meng (2012), Smyth and Edkins (2007).
[3] Smyth (2015).
[4] Ibid..
[5] For example, see Dubois and Gadde (2002).

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 oil and gas, 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[6].

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 3 Norwegian and 5 UK organisations in construction, yielding a total of 10 interviews. A total of 5 interviews were conducted among contractors and subcontractors of which 5 were among a diverse contractor-consultant group, and 3 among clients to secure their perspective of contractor and consultant client management activities. 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.

[6] Smyth (2015) and for comparison see Smyth, Duryan and Kusuma (2019).

Table 1. The Schedule of Interviews

Sector	Organisation	Interviewee Role	Subtotal	Totals
United Kingdom	Contractor	Business Development Director for a UK O&G Contractor	1	1
	Consultant and Contractor	Development Manager III for a UK O&G Consultant and Contractor		
		Business Development Manager I for a UK O&G Consultant and Contractor		
		Business Development Manager II for a UK O&G Consultant and Contractor	3	4
	Subcontractor	Manager of UK O&G Product Service Line Subcontractor	1	5
	Client	Asset Manager for an Upstream UK O&G Client		
		Business Development Director of an Upstream UK O&G Client	2	7
Norway	Contractor	Key Account Manager for a Norwegian O&G Contractor	1	8
	Subcontractor	Project Director for a Norwegian O&G Subcontractor	1	9
	Client	Vice President Supply Chain Management in a Norwegian O&G Government Client	1	10
			Grand Total	**10**

Introduction

Oil and gas firms, 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, which originated two or three decades ago. The first is relational contracting, including partnering, alliances and supply chain management[7]. The second is informal collaboration and co-creation of value[8]. Oil and gas consultants and contractors realised that paying attention to key clients reduced market risk, increased repeat business and sometimes margins[9]. This induced the beginnings of what we are calling *strategic client management*. There is some evidence that oil and gas firms have pulled back from these trends, according to the UK findings, due to clients being more transactional in procurement in what some interviewees described as a ‘mature’ market, which is essentially the commodification of provider markets. Norwegian firms are more diverse, operating in growing markets for renewables and where relational practices are more highly valued.

Yet 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 oil and gas consultants, contractors and subcontractors have adopted strategic client management at different rates and to variable levels of intensity and rigour. The extent of adoption, the waning of adoption

[7] For example, see Bybballe, Jahre and Swärd (2010).

[8] For example, see Fuentes, Smyth and Davies (2019).

[9] Smyth (2015).

and embedding practices, and therefore rigour, need examination, especially the effects being seen upon service and quality of performance improvement.

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 oil and gas over several decades. It was reported that government policy, regulations and legal requirements were primary culprits, although the vigour of client bid regimes was a further contributory factor. Market conditions in oil and gas are currently particularly volatile.

It was reported that clients value formal and informal strategic communication with suppliers outside and above any one project[10]. Contractors value client approaches along these lines to discuss strategic issues, new technologies, the market and constraints being faced[11]. The interviews demonstrate that collaboration between the client and supplier is important. Oil and gas has become less collaborative at a strategic level with reliance upon interpersonal relationships at an informal level[12].

At one time oil and gas provided a role model for relational contracting, hence collaboration, via the Andrews Field. The market is reported to have become more “mature”, although there was less agreement as to what this means. While the strategic role of collaboration through client management is important, there is more standardisation in oil and gas compared many project sectors, for example construction, so there is arguably less need for collaboration on projects. 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. As one oil and gas business development manager drew attention to the challenging environment, especially where it is easier to internally justify costs around technology than additional expenditure on management to satisfy a client, hence explaining how the “human touch” becomes diluted and manifested on an informal basis through interpersonal relations. The result is client management is less strategic. Another client emphasised the need for delivery and that good delivery is of mutual benefit[13], although the balance of high risk and low margins for suppliers in many transactions was not accounted for in general nor regarding the benefits of collaboration. The consequence is that client management becomes less strategic where highly transactional approaches are pursued. Overall, the intensity and extent of collaboration varies client-by-client. This sets the context for 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. For example, an international oil and gas consultant and contractor is divided into product service lines and geographically by country with area managers, who head up operations and business development[14]. Some firms are divided up into divisions. While key clients may be easily identifiable within a product line or division, managing clients with business

[10] Vice President Supply Chain Management in a Norwegian O&G Government Client.

[11] Head of Project Development of a Norwegian O&G Contractor.

[12] Ibid..

[13] Vice President Supply Chain Management in a Norwegian O&G Government Client.

[14] Business Development Manager III for a UK O&G Consultant and Contractor.

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.

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[15]. 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 oil and gas 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?

Those working in oil and gas were not very specific about the purpose of client management. One oil and gas client sees client management as an important means to secure information for its forthcoming plans and projects from its suppliers and sees it as a means to provide information on projects in a transactional way[16]. Another states that winning work is proportional to the number of meetings with the client[17]. The general explanation may follow from the general waning of collaborative practices, especially formally managed ones in oil and gas. In one oil and gas contracting firm the aim is to secure work, hence turnover, by managing clients in the business development stage[18]. It commences with identifying them as a prospect. For this oil and gas contractor many of their clients have become smaller in

[15] For example, see Smyth (2015).
[16] Vice President Supply Chain Management in a Norwegian O&G Government Client.
[17] Key Account Manager for a Norwegian O&G Contractor.
[18] Business Development Director for a UK O&G Contractor.

recent years. These small clients are entrepreneurial and endeavour to secure oil and gas licenses, approvals and commence operations before selling on to large producers. This UK-based firm is very transactional and part of this ‘mature’ market because they hold no long-term interest in the fields and wells that they own. The contractor identifies competitive advantage by developing win strategies through stockpiling supplies in order to be able to accelerate project commencement and self-finance the early stages of work in return for an above average margin, using its strong balance sheet[19]. Contractors in oil and gas were primarily self-interested, with a consequence that they tended to be reactive rather than investing in capabilities. Norwegian oil and gas contractors are increasingly looking to the long-term market in renewable energy where relationships and relational contracts are more prevalent, yet this is not necessarily supported by strategic client management practices.

Strategically securing client relationships is key to securing projects in the pipeline. For example, one oil and gas firm look at their pipeline five years ahead with more detailed planning annually and quarterly. Another firm looks two years ahead, understanding the client drivers and planning to shape the value proposition. A further firm looks two to three years ahead and estimates its pipeline for the next 18 months, beyond which it is deemed too difficult[20].

Strategic client management is only purposeful if clients value it. Highly transactional clients may not. This is certainly the case among the smaller upstream oil and gas clients cited above because assets are sold on in the long term[21].

Those interviewed were not more specific about the purpose of strategic client management and indeed client management more generally. To the extent that client management was to the strategic forefront of oil and gas firms, 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. Minimal comment was provided by those interviewed around roles, arguably because most client management activity is conducted informally. One client perceived their primary contact to be with KAMs, through which a network of relationships would be

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[19] Ibid..

[20] Business Development Director for a UK O&G Contractor; Key Account Manager for a Norwegian O&G Contractor; Business Development Manager I for a UK O&G Consultant and Contractor.

[21] Asset Manager for an Upstream UK O&G Client.

fostered[22]. The management was largely structurally embodied in account teams in supplier firms. Beyond that it is not managed, especially once key clients and projects selected to qualify and bid for have been determined. More broadly, interviewees tended to report upon specific issues rather than roles and how they are conducted. In this way the role of strategic client management is somewhat diluted.

Conduct and relationship management

The importance of building relationships, especially with key clients, is seen as critical. Engagement is a first practical step: *I think engagement is about as general as you can get*[23].

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 information and influence activities. Some clients were widely reported as more bureaucratic and procedural than others. 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.

Several contractors employ central strategic accounts teams. Clients are strategically managed at this level, as is project pipeline management at the interface between business development and the project front-end at operational level. It is through the interplay between personnel at the two levels that leads to business development becoming more technical and delivery based while the operations management become more client focused. While accounts teams are frequently knowledgeable technically other staff frequently lacked a client orientation. There are instances of project specific decisions aligned purely to cost control criteria that take precedence over strategic and long-term client management aims.

Trust is important in relationship management:

> *You need to have trust and …value the opinion of our personnel, but also need to be true to what we do as a company as well.* (Business Development Manager I for a UK O&G Consultant and Contractor).

Therefore, 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[24]. 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[25]. This also depends upon clients seeing trust building to be of strategic importance, for example to secure awareness of the capacity of suppliers, early knowledge of problems to be addressed in order to avoid conflicts, delays and increased costs[26].

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

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[22] Vice President Supply Chain Management in a Norwegian O&G Government Client.
[23] Business Development Manager I for a UK O&G Consultant and Contractor.
[24] Smyth (2015); Smyth and Edkins (2007).
[25] Business Development Manager II for a UK O&G Consultant and Contractor.
[26] Vice President Supply Chain Management in a Norwegian O&G Government Client; Project Director for a Norwegian O&G Subcontractor.

clashes that initially appear personal, come to be seen as the pursuit of different mutually exclusive objectives that erode trust.

It is vitally important to manage client expectations in relation to what can reasonably be delivered[27]. Some oil and gas clients have tried to standardise their approach to improve efficiency and clarify needs[28]. Even where possible, this does not necessarily clarify expectations. A few firms offer a pre-emptive solution to this challenge. One firm sells 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. They were not unique, and the approach facilitates managing communications so that clients always hear the same message.

Although senior management play a critical strategic client management role regarding internal decision-making and regarding engaging with counterparts on the client side, 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. This may 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 is not captured[29], highlighting the challenge of effective boundary spanning across internal functions.

Overall, oil and gas firms are more reliant upon structural solutions, which can work well if the systems are rigorously employed, although there is over-reliance upon informal behaviour for implementation, especially as strategic client management moves from the project front end towards delivery in terms of structural stages or in process terms towards managing operational issues and the role of tactical client management. There is a gap between the structural and systems level and behaviour on the ground. Procedures or behavioural codes for building and maintaining relationships are notable by their absence, too much arguably being left to individual responsibility. This was a point of concern regarding the capability of the next generation among several interviewees that are in the latter years of their career.

[27] Business Development Director for a UK O&G Contractor.

[28] For example, the Vice President Supply Chain Management in a Norwegian O&G Government Client.

[29] Ibid..

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.

Suppliers have project systems for progressing through their lifecycles[30]. It was found that most 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.

Most oil and gas firms have CRM systems, even though the human systems to guide conduct and relationship management are largely lacking. Most contracting firms have CRM systems, yet variable degrees of aligned behaviour alongside. Not all consultants employ CRM systems, even among the larger 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*. 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. One interviewee for example reports about current and preferred CRM practices:

> *…that's where we talked about earlier about how you link everything together. That really <u>should</u> be the place of linking everything together: the chatter, the intel, the feedback, the opportunities.* (Business Development Manager II for a UK O&G Consultant and Contractor, emphasis added)

It was found that offices and divisions did not coordinate client management. While clients may wish to spread their risks between different consultants and contractors for different project types and sectors, opportunities to employ 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. One firm requires an *intimacy report* to be generated for its key clients and fed into its CRM system[31]. Social media provides further support and was widely cited as a useful mode of information dissemination for captured intelligence[32].

[30] For example, Key Account Manager for a Norwegian O&G Contractor.
[31] Business Development Manager III for a UK O&G Consultant and Contractor.
[32] 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[33]. 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. For example, one interviewee stated that monthly contact was necessary to make sure nothing has changed with the client programme and project plans. For technical updates there will be particular engagement sessions organised. Occasional "mixer" sessions are organised around service lines to informally discuss matters across the gas community as a lot of people know each other. These are supplemented by corporate events and traditional entertainment depending upon the client[34]. Some clients for ethical reasons are steering away from 'entertainment' events or activities that may be seen as having a lack of transparency or opportunities for fraudulent and corrupt behaviour. It was reported that some clients may have one-to-three-year gaps between projects, and the client engagement needs to be maintained at an appropriate level over the period[35].

New and key clients are allocated against senior management, business development managers and key account managers (KAMs). For example, a business development manager may have five key clients[36]. Business development and account managers retain regular contact throughout the key client lifecycle, the intensity varying according to the level of activity in their programme of projects[37]. An oil and gas contractor commences client engagement for an identified project by developing a pursuit plan to understand the drivers and shape the value proposition, following a precise hierarchical approval process up until tender submission[38].

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[39]. Once a new key client has been nurtured and a project opportunity emerges, operations personnel are introduced to establish the capabilities with the clients and develop project opportunities[40]. CRM is not always employed prior to project opportunities and allocating an account manager or business development manager to the client at the project-front-end[41] – a more transactional approach than strategic client management. Projects may be set up on a CRM system. One oil and gas contractor notes and minutes of meetings are distributed from the CRM system to people's laptops; however, it is primarily used for managing project pipelines rather than client management[42].

Business development managers initiate handovers to bid teams and then this is replicated for operations with a contract handover meeting[43]. Client management information secured

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[33] For example, the Head of Project Development of a Norwegian O&G Contractor. Keeping in contact between projects has been referred to as managing the *sleeping relationship* by Hadjikhani (1996).
[34] Business Development Manager I for a UK O&G Consultant and Contractor.
[35] Ibid..
[36] Business Development Manager II for a UK O&G Consultant and Contractor.
[37] Ibid..
[38] Key Account Manager for a Norwegian O&G Contractor; the hierarchical process being echoed by the Project Director for a Norwegian O&G Subcontractor.
[39] For example, Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.
[40] Business Development Manager I for a UK O&G Consultant and Contractor.
[41] Business Development Director for a UK O&G Contractor.
[42] Ibid.; Project Director for a Norwegian O&G Subcontractor.
[43] Manager of a UK O&G Product Service Line Subcontractor.

in quantity and quality was reported across oil and gas as variable. The value of client management information is not always appreciated across an organisation, especially among the next generation coming up the ranks[44]. 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 to lead to reallocating teams to maximise resource utilisation at the expense of client expectations[45] and there is a lot of personnel churn in oil and gas which constrains relationship management and continuity of personnel across sequential projects[46].

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.

Entrepreneurial clients and contractors depend more upon individual relationships than upon systems and procedures in oil and gas, which bypasses the client driven procedures and places total dependence upon contractors and consultants requiring their own procedures[47].

It appeared that there is a continuing lack of awareness, understanding and training given in relationship management and specifically 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. An example is provided by 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. Nor do the systems reach into operations to capture information that has a bearing on client management for performance improvement either tactically or strategically[48]. Transactional cost and technical considerations dominate decisions, which keep investment in systems and integration to minimal levels.

There are few attempts being made to break down current barriers and improve integration. This is probably explained by the increasing commodification or so-called 'maturity' of the oil and gas market. The dominant picture remains a lack of coordination and integration, for example linking health and safety as a top priority to client management was only mentioned

[44] Business Development Director for a UK O&G Contractor.
[45] Business Development Manager II for a UK O&G Consultant and Contractor.
[46] Business Development Director of an Upstream O&G Client.
[47] Asset Manager for an Upstream UK O&G Client.
[48] Business Development Manager III for a UK O&G Consultant and Contractor.

by a subcontractor[49], despite regulation and client requirements frequently driving improvements. Finance departments operate comprehensive systems, linked closely to cost control. They use systems to check client credit rating[50], yet financial decision-making is largely undertaken independently of client management.

[49] Project Director for a Norwegian O&G Subcontractor.
[50] Business Development Manager II for a UK O&G Consultant and Contractor.

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) 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 a lack of consistency and continuity of behaviour and action to induce efficient and effective client management. It was confirmed that firms in oil and gas predominantly occupy this space.

Leadership

Leadership is important; it is a leadership role to empower senior management and project managers to manage key clients[51]. 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[52]. 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. Leadership can also galvanise senior management to instigate or improve strategic client management and integrate it with tactical client management.

In oil and gas strategic client management has received less attention than in the past. A product service line manager reported that 95% of their role is people skills, which covers internal management, in-house clients and external clients. A lot of engineers have a largely technical mindset – they are "smart" yet need to learn how to talk to people, especially around "the professional selling skills", through in-house training[53]. The support is misaligned with the implied need. It was reported the pattern of generic training provision included client engagement practices on a selective basis but lacked concerted attention[54]. Actors reported they learned through emulating others[55].

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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[51] Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor,

[52] Head of Project Development of a Norwegian O&G Contractor.

[53] Manager of a UK O&G Product Service Line Subcontractor

[54] For example, the Business Development Manager III for a UK O&G Consultant and Contractor.

[55] Head of Project Development of a Norwegian O&G Contractor.

tactical level. KAMs rarely span both the range of strategic and tactical roles on a consistent basis.

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[56]. 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[57]. Norms can remain very transactional, for example KAM is very pipeline driven and managed by individuals taking behavioural responsibility[58].

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. It was specifically stated in transactional oil and gas markets that a great deal is left to individual responsibility and collaboration[59].

[56] Business Development Manager of a UK O&G Consultant and Contractor.
[57] Business Development Manager II for a UK O&G Consultant and Contractor; Business Development Manager III for a UK O&G Consultant and Contractor.
[58] Group Chief Executive of a UK Construction Subcontractor and Infrastructure Contractor.
[59] Asset Manager for an Upstream UK O&G Client; Vice President Supply Chain Management in a Norwegian O&G Government Client; Project Director for a Norwegian O&G Subcontractor.

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. A prime way to secure repeat business and improve projects is the early involvement of contractors, sometimes with pre-contract studies and design[60]. Once the client project becomes live, it becomes a more formal 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. As projects take shape it becomes necessary to liaise with engineers and other specialists in certain departments, such as logistics personnel, to obtain technical feedback that can potentially lead to service and technical improvements. Efforts are made to front load engineering advice and inputs to demonstrate capability[61]. The commercial team have "kick off" meetings with business development as opportunities are flagged through the CRM system[62]. Bids have to be submitted for internal qualification through a series of decision gates by different departments and organisational levels before being signed off. Bids are competitively priced with a margin, leaving some scope for post tender negotiations[63]. The finance department examine client credit limits and approve all client submissions[64], although it was clearly implied 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. Strategic client management can play an important role in shaping the team and a tactical client manager becomes a team member. In one firm, a formal meeting is employed to allocate a business development manager or account manager in a tactical KAM role during operations. This retains a strategic overview and facilitates feedback throughout delivery[65].

In practice the oil and gas sector has been effective until more recently in managing clients strategically through front-end stage gates. Recently decisions appear not to be led nor particularly influenced by strategic client management to improve performance for clients. The firm-project interface was managed effectively where KAMs were identified, after which tactical client management was largely left to individual responsibility.

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[60] Head of Project Development of a Norwegian O&G Contractor; Project Director for a Norwegian O&G Subcontractor.
[61] Business Development Manager I for a UK O&G Consultant and Contractor.
[62] Business Development Director for a UK O&G Contractor.
[63] Ibid..
[64] Business Development Manager I for a UK O&G Consultant and Contractor.
[65] Business Development Manager II for a UK O&G Consultant and Contractor.

Delivery model selection

Clients frequently determine the model in oil and gas: *there are plenty of unique models out there that we have serviced*[66]. Some clients when determining the model are prepared to negotiate the precise mechanisms, for example collaborative practices for delivery, giving more scope for contractors to shape delivery. Some clients do not have the knowledge nor determination to effectively select the appropriate delivery model, 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 where losses are incurred among consultants and contractors.

A few clients place the delivery model within a framework or partnership agreement[67], which feeds into greater certainty around client lifetime value. However, the dominant view is broadly transactional with clients using competition and bid regimes to drive down prices and transfer risk[68]. However, there is more openness and flexibility among Norwegian oil and gas firms transitioning into renewable energy markets.

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, although the more the market is commoditised the less this is the case. One client addresses the challenge at project level by reviewing projects to determine the value required coupled with quality assurance prior to sanctioning the project, which is revisited at the appointment stage[69].

Consultants and contractors are primarily service organisations. Service quality, of which strategic client management is part, is important. This obvious point is nonetheless repeatedly overlooked or underplayed by engineers and technical people, who tend to focus upon physical inputs. Contractors do not *necessarily dig down to understand the nature of your business*. There has to be a considerable exchange of detailed information and extensive interaction around expectations to overcome these shortfalls[70]. Contractors can dig down to understand client expectations in order to adjust the service to meet client needs.

Clients vary in their ability to convey their needs and expectations. One company tries to instil standard communication, but it is difficult to keep messages consistent[71]. It was said that relational engagement and agility is easier with small-scale suppliers despite the technical emphases in the oil and gas sector[72]. Ultimately, understanding clients' needs and expectations come via interactions. Listening is an important skill. Asking about client needs,

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[66] Business Development Manager I for a UK O&G Consultant and Contractor.
[67] Head of Project Development of a Norwegian O&G Contractor, Project Director for a Norwegian O&G Subcontractor.
[68] For example, Head of Project Development of a Norwegian O&G Contractor; Manager of a UK O&G Product Service Line Subcontractor.
[69] Business Development Director of an Upstream UK O&G Client.
[70] Ibid..
[71] Key Account Manager for a Norwegian O&G Contractor.
[72] Ibid..

what the clients wants and the challenges they face[73]. Strategic client management may involve taking decisions to undertake a project which is not an ideal fit; it is critical to preserving the relationship. Client needs also vary by region, for example the balance between price and technology. Technology quality and performance outbids price in some markets while price dominates in others[74]. 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.

[73] Business Development Manager II for a UK O&G Consultant and Contractor.
[74] Business Development Manager II for a UK O&G Consultant and Contractor.

Delivery Management

In oil and gas it was reported that there will be an internal handover meeting from business development to the area manager, operations coordinator and technical manager, involving accountants and others as the project moves into the execution stage. There is a similar client handover meeting from business development to operations. A business development manager will retain a delivery role, providing a “focal point” for client contact if operational decisions and action appear to become misaligned with the client needs and expectations[75]. This is necessary as project specific decisions do not necessarily account for client considerations during delivery nor for the consultants’ or contractors’ longer-term interests in maintaining repeat business. These types of arrangements are typical to try to achieve coordination, but not all firms are as consistent as this example at managing the firm-project interface. Oil and gas appear reasonable in this respect, although firms heavily rely upon those performing KAM roles to manage the process rather than having a more standardised approach to tactical client management. It remains a challenge to align operational employees with client needs[76]. 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[77].

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. When issues arise during delivery, one role of tactical client management is to ensure the client viewpoint is considered.

For small upstream clients, the norm is to be very transactional as long-term value is not required. The business model is to sell fields on once licenses are secured, operations are underway, and the asset is proved to be financially viable[78].

The oil and gas sector appeared strong in managing handovers at the firm-project interface, but weaker at engaging in tactical client management in delivering improvements. Consultants tend to be better at understanding and delivering against client needs.

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 are variable in the extent of management employed. There are frequently shortfalls in providing the 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 managers. There is no mechanism in place to guarantee the value proposition is delivered, although when standardised designs and solutions are rolled out there is more opportunity than when unique and complex specifications are necessary as found within may projects.

Project teams in the built environment 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

[75] Business Development Manager I for a UK O&G Consultant and Contractor.
[76] Vice President Supply Chain Management in a Norwegian O&G Government Client.
[77] See Smyth et al. (2019).
[78] For example, the Asset Manager for an Upstream UK O&G Client.

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. One consultant had formal action reviews that goes beyond a regular debriefing report, for example future projects can tag in lessons from past reviews to improve current performance[79] and in another example new technical feedback can be injected into bulletins[80].

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. 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. 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 strategic client management. 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 the 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.

[79] Business Development Manager II for a UK O&G Consultant and Contractor.
[80] Business Development Manager III for a UK O&G Consultant and Contractor.

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 about which clients are updated[81], 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, 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, factors that also inhibit integration.

However, it was also stated that certain subcontractors can carry a lot of weight with clients and help maximise repeat business[82].

A countertrend seen in one major contractor is to deliver key project content directly rather than subcontract, whether this takes the form of direct labour or through ownership of a specialist subcontracting division. This can involve combined consultant and contractor organisations. Overall, this appears to be a slowly growing trend, reversing the growth in subcontracting over the last serial decades.

[81] Project Director for a Norwegian O&G Subcontractor.

[82] Business Development Manager I for a UK O&G Consultant and Contractor; Business Development Director for a UK O&G 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[83]. 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 levering investment, 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, such as twice a year strategic performance improvement meetings[84]. 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. 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. One client has standard contracts for particular project types[85]. A key issue with client delivery model selection is where it is used to disproportionately transfer risk to the supplier[86], thereby increasing the relationship tension, hence relational risk during delivery. 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.

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[87].

Adding and co-creating content value

It was reported that those in business development tend to be particularly focused upon service quality[88]. This can be purely value for money around a transactional approach[89],

[83] Smyth (2023).
[84] Vice President Supply Chain Management in a Norwegian O&G Government Client.
[85] Vice President Supply Chain Management in a Norwegian O&G Government Client.
[86] Ibid..
[87] Project Director for a Norwegian O&G Subcontractor.
[88] For example, the Business Development Manager II for a UK O&G Consultant and Contractor.
[89] Business Development Director for a UK O&G Contractor.

added value where technology and service are to the fore[90] or explicitly co-creating value within a collaborative approach[91].

Markets are predominately transactional, hence price driven. Client procurement departments are instigators. It was said that this has intensified since the introduction of spreadsheets at the expense of other criteria[92]. 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.

While this reflects the general pattern of views, one respondent disagreed, saying the 'highest value' tends to equal the lowest cost in oil and gas, echoing the view of oil and gas being a highly transactional 'mature' market. The consequence is that there has to be direct financial incentives for contractors to add value[93].

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

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[94].

Collaboration, acknowledged for providing co-creation opportunities. 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.

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[90] Business Development Manager II for a UK O&G Consultant and Contractor; Asset Manager for an Upstream UK O&G Client.
[91] Business Development Manager I for a UK O&G Consultant and Contractor.
[92] Manager of a UK O&G Product Service Line Subcontractor.
[93] Business Development Director of an Upstream UK O&G Client.
[94] Manager of a UK O&G Product Service Line Subcontractor.

There is considerable client pressure to constantly improve performance regarding the environment and climate change. It is an area of incremental capability development because clients demand carbon reduction for each tender[95]. Although contractors reactively pursue improvements, for example switching to electrically powered equipment[96], the responses can be seen as opportunities to co-create value. 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.

In terms of the viability of oil and gas markets, it was reported that the market will recede slowly because the transition to renewables takes time[97] and the growing decommissioning market will compensate to some degree for some time to come[98].

[95] Business Development Director for a UK O&G Contractor; Business Development Manager II for a UK O&G Consultant and Contractor.
[96] Business Development Manager I for a UK O&G Consultant and Contractor.
[97] Business Development Director for a UK O&G Contractor.
[98] Business Development Manager II for a UK O&G Consultant and 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. A typical pattern was that knowledge can be 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. One contractor also reported that learning feeds into strategic client management because it provides opportunities to influence the client regarding future projects[99]. [100], yet the overall pattern was that there was no linkage between project learning and knowledge transfer with strategic client management to improve performance on projects[101].

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, 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, and the client lifetime value or client relationship value does not appear on the main business dashboard.

In the short run, strike rates of 25% provide a reasonable target, so the pipeline needs to be four times the target turnover[102]. Strategic client management should be geared to the large clients who yield the greatest levels of repeat business[103]. Repeat business is around 50%

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[99] Business Development Director for a UK O&G Contractor.

[100] Infrastructure Project Manager with a UK Construction Contractor; Business Development Director for a UK O&G Contractor.

[101] For example, the Head of Project Development of a Norwegian O&G Contractor.

[102] Business Development Manager II for a UK O&G Consultant and Contractor.

[103] Business Development Director for a UK O&G Contractor.

contractors[104]. Repeat business is around 60% among some consultants[105]. It is therefore valuable directing strategic client management towards key clients who will yield repeat business. It was reported that half of business development time is spent on existing clients[106]. 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.

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. Some of the smaller clients in oil and gas were claimed to yield higher margins for firms[107].

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.

[104] Ibid..
[105] Business Development Manager II for a UK O&G Consultant and Contractor.
[106] Business Development Manager I for a UK O&G Consultant and Contractor.
[107] Manager of a UK O&G Product Service Line Subcontractor.

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 oil and gas.

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 relational contracts and greater tactical responsiveness across oil and gas 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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