

**Relationship Management
Between Client and Contractor**
In Delhi Metro Rail Corporation Ltd. (DMRC), India

By

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for the Degree of Master of Science in Built Environment from the
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Abstract

The research is about the relationship management between the client and contractor for the Delhi metro rail project and how it can be made stronger. Within RM the focus is on client satisfaction, expectations from each side, trust, understanding, cooperation and relationship building efforts. The aim was to study the RM model adopted and assess whether it helped build a long-term relationship. The modes of assessment were the intangible aspects of relationships described in terms of expectations, perceptions and the added value. To evaluate these characteristics, the gap analysis approach was modified to suit the context of DMRC and the theoretical study. The gap analysis helped to compare the expectations and satisfaction from the client and the respective perspective of the contractor.

A structured interview has been used as the tool to carry out this research. In all there were 12 interviews divided between 3 contractors and 3 project management teams. The answers collected were subjective and open-ended to obtain maximum authentic information. The analysis of this research reveals that the hypothesis that good relationship management between client and contractor exists in DMRC has many gaps in the areas of expectation and satisfaction, understanding, relationship building, trust, cooperation and coordination. The results point towards the fact that long term relationship building is important to sustain service quality and added value. For this incentives need to be given by the client to contractors who have performed well for them before. Further conclusions were drawn from the analysis saying that a cooperative stand is required from the client to overcome problems of RM to establish long term harmonious relationships.

Keywords: Relationship Management, Gap Analysis, Expectations, Client, Contractor, Communication, Satisfaction, trust.

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Finally, I thank to all my friends and people around me who have enriched my research life in London in various ways.

From my heart, I hope this piece of research will play a small role in improving the client-contractor relationship in Delhi Metro project in future and may help in making it more successful.

Sandeep Ashta

Contents

Abstract

Acknowledgements

Contents

Figures and Tables

Chapter 1

1.1 Introduction	1
1.2 Importance of relationship management(RM)	1
• RM Research Issues	
• Factors effecting relationship between Client and Contractor	
• RM in India	
1.3 Research Focus and Objectives	3
1.4 Importance of RM	4

Chapter 2

2.1 Context	6
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Chapter 3

3.1 Literature Study	8
3.2 Client Relationship Management(CRM)	10
• Successful CRM modelling	
3.3 Importance of having mutual objective for long-term relationship	12
3.4 Culture understanding	13
3.5 Importance of Trust in RM	13
3.6 Meetings client's objectives and adding value	14

3.7 Relationship Marketing	15
3.7.1 Client handling models	
3.7.2 Benefits for both parties	
Summary	19
Chapter 4	
4.1 Methodology and Approach	21
4.2 Hypothesis	22
4.3 Theoretical framework	23
4.4 Interviews	25
4.5 Formulation of questionnaire	26
4.6 Summary	27
Chapter 5	
Description and Analysis of the data collected	28
5.1 Expectation and Satisfaction	28
5.2 Understanding	32
5.3 Coordination and Expectation	34
5.4 Trust	37
5.5 Relationship building	38
5.6 Summary	41
Chapter 6	
Conclusions and Recommendations	42
References	45
Appendix	49
Interview Questions	
1. For Client	
2. for Contractor	

Figures and Tables

Figures

Figure 1: Model of Relationship Management	10
Figure 2: Flowchart showing working of CRM in conjunction with RM	11
Figure 3: A Portrayal of the Characteristics of RM	18
Figure 4: Flowchart of this Research	22
Figure 5: Gap between expectation and actual performance.	28
Figure 6: Time – Interaction Model	35

Tables

Table 1: Parameters for establishing long term relationship and their corresponding criteria	24
Table 2: Showing selected Contractors and Project Managers from DMRC for interviews.	26

Chapter 1

1.1 Introduction:

'Client Satisfaction' is the basic requirement of any industry and particularly it is very important in Construction Industry. It is the only factor on which the growth of any industry depends. Cordial relationship between the Clients and the Contractors is beneficial to both. Though quality of work done is of paramount importance for getting regular projects from the clients yet building relationship is of not less importance as this helps in achieving the stakeholder's objectives. The two ways of gaining competitive advantage is by cost leadership and differentiation, (Sidewell and Rosemary, 2004). Cost competition pertains to offering services at lower costs and differentiation highlights the firm's ability to provide higher value in terms of client satisfaction.

The situation is slightly different in case of large, complex and/ or unique projects which need unique expertise, as in a metro rail construction. In this case, the construction firm needs to create value in its service for client satisfaction even within an individual project where client's participation is integral, (Kujala and Ahola, 2005). Being a complex rail based mass rapid transit system, it is more capital intensive and has a longer gestation period as compared to an average building construction project and thus requires a stronger collaboration for timely completion and smooth operations. In my case study the '**Delhi Metro Rail**' project is being analyzed for client-contractor relationships and how they affect the working and degree of client's satisfaction. It is a very interesting case where the client is one, and contractors many, keeping in view the time constraints. The scope of this study is limited to 19 sets of stations.

1.2 Importance of relationship management (RM):

- **RM Research Issues**

It has been studied that as compared to acquiring a new contractor, 90% of time required for screening and selection is saved if an existing contractors is retained, proving the economic benefits of RM. According to Gummesson (2002)

“studies of basic relationships offer a wide range of conditions for more efficient management and marketing, and opportunities of making money”.

- **Factors effecting relationship between client and contractor**

The problem arises due to the difference in perception and actual deliverance between both the client and contractor. A good relationship requires that both parties understand each other’s behavior and motives and address those issues. These factors should not be disregarded and the contractor must look beyond tactics of achieving price advantage to win projects. Such scenario, are not helpful for future partnerships, therefore emphasis should not be solely on how to quote the least price possible to get the tenders. At times reduction in cost by the contractors, requires a compromise on quality, reduction in internal expenditure, and further adjusted by managing money with subcontractors, (Smyth, 2005b).

Even within the scope of RM, though brand loyalty is important, it takes precedence over client satisfaction. The concept of client satisfaction which includes value and service quality is often overlooked for the traditional issues of cost and time. This is because stress is on competitive price tendering, making it hard to pay attention to the subject of relationship building, and eventually it is considered redundant, (Sidwell and Rosemary, 2004). When client’s needs and motives are ignored and they get dissatisfied, equilibrium in relationship is disturbed which harms the growth of project.

- **RM in India**

In the Indian construction sector RM has not attained its importance and is more often than not a resultant of other activities. In general the pattern of relationship in India is strictly ACR (Arm’s length Contractual Relationship), characterized by “low degree of inter-dependence, contract oriented relationships, and limited degree of trust.” This needs a change to alleviate the problems currently faced by the contractors, by incorporating some features of OCR

(Obligational Contractual Relationships) like high degree of trust, heavy interdependence and long-term oriented relationships.

Issues to be kept in mind for building stronger client-contractor relationship:

- Understanding between both parties on technical as well as social issues
- Systemized investments, after mutual agreement from both sides
- Continuous improvement after a basic relationship foundation is formed
- Complete satisfaction to both parties leading to quality work

Problems which need to be avoided in this case are:

- compromise on quality due to huge cost cutting causing decreased value addition
- difficult work conditions resulting in increased efforts to get work done
- loss of time and money due to misunderstandings and misinterpretations
- reduced cooperation increases cost of transaction as there is wastage of valuable resources each time a new relationship has to be built

1.3 Research Focus and Objectives:

The focus of research is to study the relationship between DMRC and its contractors. To understand if the contractors had any relationship strategy, whether they were applied as planned and if they were modified as the project progressed. There is a need to identify areas of weak understanding between both sides, analyze gaps in expectations from the other party and the resultant perceptions, in terms of service quality, value added and final outcome of project. Here the objective is to analyze the 'client-contractor' relationship and find how to improve it for further contracting for the phases yet to be completed. It will be required to appreciate the client-contractor relationship development during the project's life and beyond as the experiences can be applied in future engagements.

The study will examine through research and analysis, what kind of relationship has developed between the client and the contractor in DMRC and how it is affecting the project. The following are the key questions which need to be examined:

- To find out if there are any incentives or added advantage given by the client to the contractor who has put in extra effort to give a better quality to the product.
- To take their opinions on what can be done to improve the situation and review their reaction to the possibilities of applying theories and literature
- To explore how to apply relationship theories in the context being studied.
- How the analysis can help to deduce changes required in the overall approach and individual behavior to improve the relationship for the project's good.
- Efforts required in bringing changes and how it would affect the project's working in terms of financial and efficient running.

1.4 Importance of RM:

The study will examine the phase II of the DMR project which may help the project management organisation to improve the quality of final product by improving the relationship with contractor and may be in the favour of all stakeholders. The relationships can be strengthened by improved communications. Better communication and coordination lead to better quality of final product. This study will provide basis for further studies which involve complex and multiple client-contractor relationships. As said by Gulati (1998) "Coordination can be either mechanical or it can be more collaborative, i.e. organic. The latter has more advantages in RM". "Yielding business exchanges come with trust, cooperation and a continual interaction", (Aksaranuwat, 2005). "Collaborative and cooperative attitude and behavior by all parties involved will improve the performance of the construction industry and achieve more value for money. Inherent adversarial relationships among the parties in construction projects i.e. clients, main contractors, design team and sub-contractors, need to be improved", (Takuma, 2005). Some of the prime factors are:

- Evaluate working of an appropriate client handling model for the satisfaction of client and contractor.
- Value addition for the client's expectations beyond the traditional model of time, cost and quality.
- How to streamline the perceptions of a contractor and a client to yield exactly what they want from each other through explicit detailing of contract works- a situation not generally practiced in India where a number of decisions are based on trust and mutual understanding.
- Efforts required to bring long-term relationship from the contractor's side to get repeat business.
- A good relationship can give birth to partnerships which get rid of the blame culture and offer a 'win-win' solution to all.
- The recommended theories will help in building a stronger base for the future phase of the project.

Research indicates that consumers are less loyal due to an abundance of choice, availability of information, similarity of products/services- nothing stands out, insecurity due to financial problem and time scarcity. These forces result in consumer complaints, cynicism, reduced affiliation, greater price sensitivity and litigiousness. Consequently, RM that can retain customers is a vital part of a company's marketing program, (Schrive, 1997).

Now that the issues have been identified, the importance of relationship management in the construction industry can be appreciated. The focus will be on value addition and client satisfaction. Also studying RM requires proper understanding of the context. A brief study of the client, its status in the market, scale of the project and their general expectations has been given. This is important to apply the theoretical knowledge described in literature review, in a suitable manner to achieve the research objectives. Ultimately the findings from the interviews have been analyzed to understand the actual working of RM in DMRC and in the end suggestions for improvement.

Chapter – 2

2.1 Context

The area of study is the project of Delhi Metro Rail in Delhi, the capital city of India. Delhi is one of the fastest growing cities of the world in terms of population which is presently around 12 millions and estimated to grow up to 20 million by 2020. The scenario of public transport system in Delhi is pathetic and adds to the traffic congestion and other linked problems. With an objective to find a long term solution the government of Delhi took a pragmatic decision to develop an efficient Mass Rapid Transit System by incorporating public company named Delhi Metro Rail Corporation in May 1995.

The Delhi metro rail project is the first of its kind in India and is owned by Delhi Metro Rail Cooperation (DMRC), a company formed in equal partnership by the Govt. of India and the Govt. of National Capital Territory of Delhi. The target is to cover whole of Delhi by 2021. It is divided into two Phases (Phase – I and Phase – II). In Phase – I there are 59 no. of stations that were completed in 2005 and in Phase – II there will be 79 no. of stations to be completed by the end of year 2010. (DMRC, 2007)

Several local and international contractors (e.g. Samsung, Mitsubishi, L&T, IRCON) have been awarded tenders for design and construction of elevated viaducts, elevated stations, underground tracks and structural works of bridges, stations etc. Project related expenditure incurred every year is about \$528 MUSD. The value of assets capitalized during this year was \$1273 MUSD. With the capitalization of these assets, the total asset base of the company excluding capital works in progress went up to \$2306 MUSD, (DMRC's Annual Report 2006-07).

The successful completion of the project, DMRC requires inputs from sources like, consultants for preparing detailed feasibility reports with respect to different routes, contractors for planning, designing and execution of the civil works, electrical installations and rail tracks, supply of rolling stocks, passenger handling systems, project management consultants and allied services. This involves number of stakeholders requiring close co-ordination which demands close and trusted relationship at all levels. DMRC in itself is a very complex project involving large number of activities. Keeping in view the time constraints and making study meaningful, the scope of the study is

limited to the relationship between DMRC and civil contractors for 19 number of stations.

The following are some of the corporate culture policies as formulated by DMRC:

- Maintain full transparency in all decisions and transactions
- Project an image of efficiency, transparency, courtesy and “we mean business” attitude
- Construction activities should not create inconvenience or endanger public life nor should lead to ecological or environmental degradation
- All structures should be aesthetically planned and well maintained

The DMRC’s success or failure will be judged on its technical functionality, environmental adaptability, political legitimacy, economic development and social acceptability. This study of the context will be the basis of the analysis to be done in the later chapters.

Chapter – 3

3.1 Literature Study:

This chapter gives an over view of the published and unpublished works that were referred to and inform this thesis. References and websites have also been provided throughout.

Relationship management is the practice followed by contractors, for building, managing and sustaining a long-term and trusting relationship with a core group of clients. It is all about building trust (between the firm and its customers) and keeping promises ('making promises,' 'enabling promises,' and 'keeping promises' on the part of the firm and possibly on the part of the customer), (Lloyd, 2000). RM programs (also called loyalty programs) foster usage loyalty and a commitment to the firm's products and services, (Schiffman, 2004). Customer retention is one of the most important factors in RM and it comes with creation of mutual trust between a supplier (contractor) and customer (client), (Gordon, 1999).

"The emphasis is on developing long-term bonds by making customers feel good about how the company interacts (or does business) with them and by giving them some kind of personal connection to the business", (Schiffman, 2004). "Like personal relationships between individuals who are willing to do favours for each other, RM offers loyal customers special services, increased communications and attention beyond the core product or service, without expecting an immediate payback. However, they hope that, over time, they will reap the advantages of sustained and increasing transactions with a core group of customers", (Schiffman, 2004). An aspect to be kept in mind is that the effort involved, in developing and maintaining a customer relationship, must be weighed against the expected long-term benefits. Marketers must determine the lifetime value of a client to ensure that costs of obtaining, servicing and communication do not exceed the potential profits, (Dwyer, 1989).

RM is aimed towards forming and sustaining customer relationships in multi service forms. In other words apart from attracting new customers, there are efforts to keep and improve relations with the existing customers. Attracting new customers is viewed as an intermediate objective, (Payne. A. and /Christopher M, 1995).

Communication is the strongest way to build trust which in fact is the corner stone of relationship management. Adopting a suitable mode of communication will make a strong loyal relationship. The fundamental aim of RM is to create long term collaborations and mutual value for both parties involved in the relationship, (Gummesson, 1999). Thus the whole point of RM is to induce the customer to remain loyal to the contractor.

By building up a long term, trusting, win-win relationship with customers, distributors, dealers and suppliers, Kotler argues that over time organizations would be able to lower transactions cost as they build trust and develop interest in cooperating with one another, (Kotler, 1999).

In the fast changing environment, consumers are always searching for product and services matching their specific needs, therefore it is difficult to have 100% loyal customers. Maintaining customer loyalty is crucial as the longer a customer remains for repeat business, the higher the revenues that an organisation gains. Customer relationships that stabilize in the long-term stage will typically be dyadic in their structure and naturally beneficial for both parties (Barnard and Ehrenberg, 1997). Apart from a successful RM's obvious advantage of endowing a product with the ability to sell itself, it also gives the client the message that the supplier listens, understands the needs, and responds to the needs.

Relationships also develop in response to types of behavior. When the behavior is dictatorial and bureaucratic, relationships may be purely based on an order where contractor follows the client's demands without much debate or discussion often yielding only a one-time transaction. When the behavior is cooperative and diplomatic, a value-based relationship is created as there is mutual understanding between the active parties. The contractor considers each client as an individual, having different characteristics in certain respects. The contractor thus pays attention to each client's case to create value. This leads to a model of management which suites the client's needs more than anything.

3.2 Client Relationship Management (CRM):

CRM is basically a strategy for improving human interactions. Though philosophical in approach it is applied using a set system and technology, (Greenberg, 2004). It enables organizations to serve clients in a better manner, give them a content and fulfilling experience, using appropriate process and procedures to deal with the clients. CRM is also a wholesome comprehensive business application including not just the technical aspect of automated IT systems, UPC scanning equipment, relational databases etc but also the human resource improvement i.e. employee training, adapting business organisation, etc customized according to the client's needs- the client must feel that they have received something for being a participant in the relationship, (Norberg, 2001). The contractor's main goal should be to create CRM as its core-competency. In this management system, stress is on building diplomatic relationships with client.

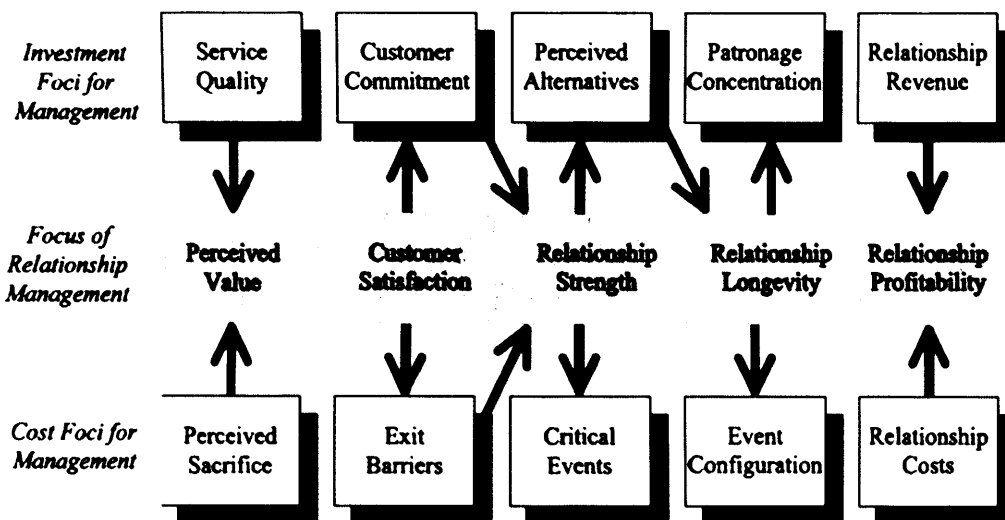


Figure 1: Model of Relationship Management

Source: Storbaka et al, 1994; Gummesson, 1999 and Smyth 2000.

Employing CRM other than awarding the product value addition also helps the contractor gain an edge over others showing its ability to understand the client's personalized needs in changing environment and responding accordingly. The ultimate aim of RM concept is to provide the quality as client expects and to its contentment. The application of RM is done with the help of CRM. The client's needs which need to be

kept in mind while designing CRM are its interests, buying habits, etc. Clients always desire a personalized service and loyalty and trust is something that is highly sought after in a business as risky as construction where money and even human life is at stake.

- **Successful CRM modeling**

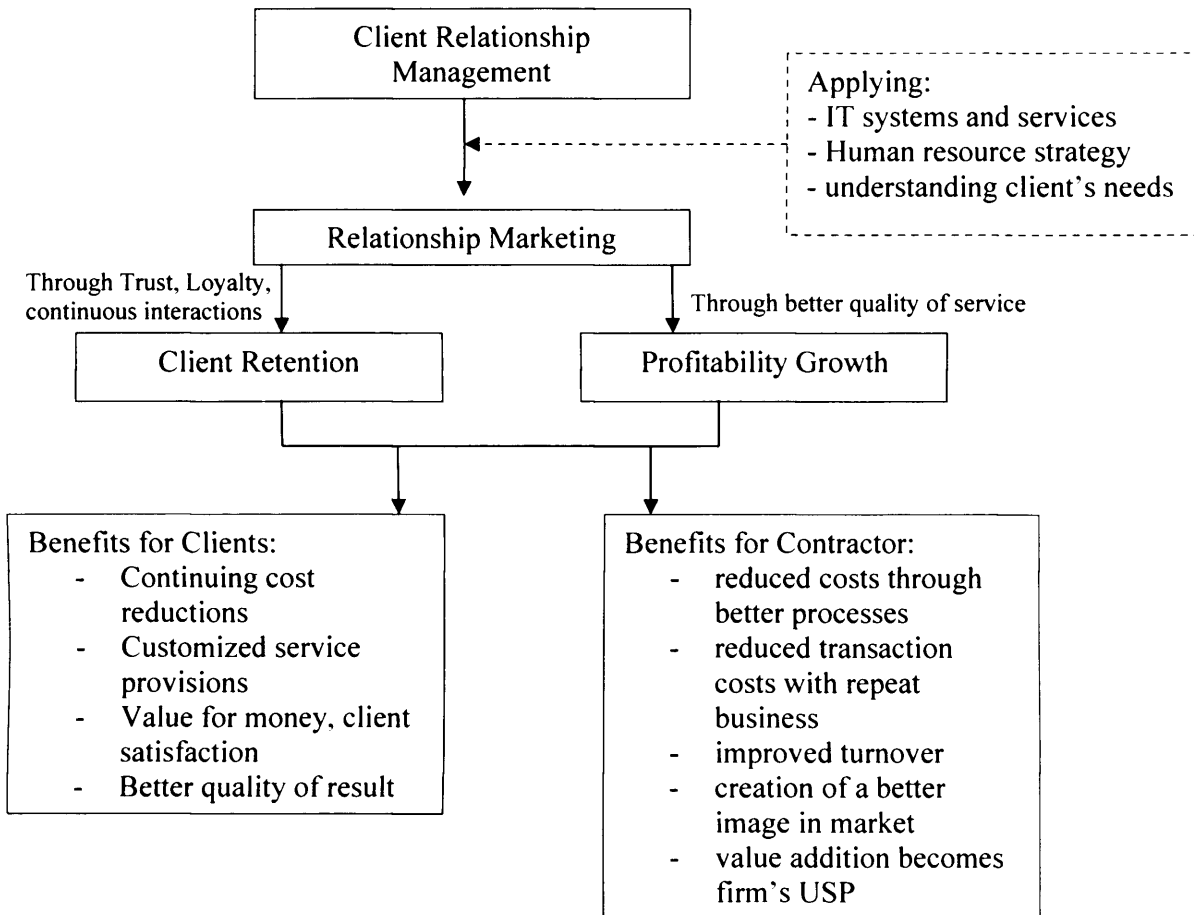


Figure 2: Flowchart showing working of CRM in conjunction with RM

CRM from a contractor's perspective helps in not just retention of clients but also ensures profitable growth, in turn leading to reduced costs. From a client's point of view, CRM ensures a worthy product, giving value for the money, for the price paid by the client, apart from efficient and customized service, (Gentle, 2002).

According to Gummesson, (1999) RM and CRM combined together are, activities acting as fuels for a chain reaction, starting initially with occasional meetings,

to periodic interactions for developing relationships, leading to a continuous and regular communication to establish a trusted relationship. Ultimately a good loyal understanding with the client is established such that issues can be resolved faster as the client trusts the contractor's words and forgoes legal proceedings or written contractual documents.

3.3 Importance of having a mutual objective for long-term relationship:

According to Campbell (1995), competitive, co-cooperative and command are the three main strategies governing any buyer-seller relationship. They dictate the modes of communications, extent of interaction and behavioral customs. In a competitive strategy, both parties will try to compete for their ideas, ruling out the possibility of a common vision; in fact it will amplify discrepancies. In a commanding strategy, the client acts like god, thwarting contractor's efforts for any kind of improvement.

Value addition can come only with a balanced and mutual objective, and for that, a co-operative strategy is the solution. Further it is a better option as compared to command strategy from the contractor's position as the risk of the client changing contractors frequently is reduced. Though it requires more investment in terms of efforts from both parties, a co-operative strategy creates a relationship that is sustainable and fair in the long run. The relationship if constructed properly sets up interdependence between the two sides, for which each has to compromise and adjust to give birth to a perfect solution.

The co-operative strategy must be adopted by both the client and contractor. Sometimes it happens that a contractor brings a proposal to the client and client gets an impression that the proposal is beneficial to the contractor and does not agree even though it may also be beneficial to the client. Thus the skill of the contractor lies in convincing the client to agree with the strategy. Thus having mutual objective is crucial for a long-term relationship.

3.4 Culture understanding:

Cultural adaptability is another aspect required for building relationship. Different cultures whether within a country or international imply different values, manners and morals, beliefs, skills, habits etc. (Usunier, 1996), which need to be understood for a smooth working business relationship. The society in which humans live dictates the way and style, to behave, act and communicate to form a mutual relationship. This intricacies need to be given due importance when dealing with companies from other cultures to avoid misunderstandings and misinterpretation. Therefore, CRM strategy will be incomplete without the study and analysis of culture.

3.5 Importance of trust in RM:

Trust is the foundation for any relationship and it is based on the extent of shared values between two parties. The challenge lies in how to communicate those values that are shared and this is what RM is all about. Haider Ali (1994) states that "The antidote to risk is trust, it is important to consider how any existing trust between buyer and seller may be used and how trust may develop." Trust and commitment are the backbone of co-operative behavior crucial for the relationship's success.

Trust also generates the willingness to co-operate. A higher degree of trust will encourage higher acceptance and agreement as suspicion reduces. If trust is less, clients will tend to suspect that the contractor is trying to make profit every time there is need for a discussion. When free and frank discussions are held in which the client get his doubts clear and his point of view accommodated he realizes the importance of these discussions. This in turn helps in occurrence of a higher number of fruitful interactions which in turn help in faster growth of a society in all respects. In all, trust may be defined as the confidence to rely on other's actions. Further nations like India where level of trust is higher, innovation and risk-taking business are enhanced as contractors are backed by client's confidence in them. The crux of the issue lies in how to make the communication most effective by building trust. Having shared values or in other words having similar perspectives gives a basis for communication and in turn help form trust. Having too

much diversity and no common ground can result in conflicting working situations (Fukuyama, 1996).

Winch defines trust in terms of transaction governance as follows: “trust is the confidence that the parties to the transaction will not take advantage of asset specificity to behave opportunistically- either by withholding information or seeking monopoly rents”. (Winch, 2002) And then, he introduces two types of trust: “transactional trust” and “contextual trust”. The former is an expectation on the counterpart not behaving opportunistically, and is generated through frequent transactions, while the latter is a nature of an organisation, embedded in the business system, and placing a high value on reputation.

The cooperative relationship is measured by mutual loyalty, which accumulates through partner’s trust and commitment, and is tested when one party needs support of the other; and this is a continuous process in building their relationship. At times there are some misunderstandings and also some vested interests try to create differences between the contractor and client when loyalty is put to test. This idea of “test of loyalty” is considerably relevant to “critical incidents” in the Relationship Marketing paradigm (Gummesson, 2002).

3.6 Meeting client’s expectations and adding value:

Clients who are barely convinced about the work of a particular contractor will not think twice before considering other contractors for future projects. In highly competitive markets, in order to hold the clients for long term relationships, contractors must pay attention to client satisfaction, (Jones and Sesser, 1995).

The first and foremost task of the contractor is to figure out client’s objectives as they will determine the approach and direction in which to take the project. In the end, the contractor’s performance is measured against the client’s expectations. Achieving quality of service and product fulfills them (Karna 2004). According to Smyth (2005b), simply completing the project requirements and guidelines is not enough for satisfying clients. As per Winch et al (1998), it has been proved that the client’s view of the end

product is more important for project's success than completing any fixed project objective. Thus adding value is an important feature of competitive advantage to create greater client satisfaction. It has a two fold advantage of being beneficial to both client and contractor; and helps build a stronger relationship between the two.

The contractor should concentrate on delivering products and services beyond the tangible project's needs of time, cost and quality, (Smyth, 2005a). Enhancing values come with intangible aspects i.e. providing above par quality of product, services that come with the product, and service experience. Many times, the contractors themselves do not know what the clients expect, resulting in a poorer quality of service (Zienthaml et al 1990). Lewis and Booms, (1983) describe service quality as a measure of how well the service level delivered by companies match customer expectations with the deliverance of quality service meaning the conformance to customer expectations on consistent basis, (Marshall and Murdoch, 2001). Parasuraman et al. (1985) has devised one of the most revolutionary methods called "gap analysis". It is a conceptual framework as well as a methodology which can be applied to measure and analyse levels of client satisfaction depending on quality of service and experience of the clients, Winch et al. (1998).

3.7 Relationship Marketing:

Relationship marketing derived from the Nomadic School of marketing, focuses upon business-to-business marketing in the service environments (Branch and Smyth, 1999). The essence of relationship marketing is in enhancing the quality of the service through relationship building, with emphasis on people and adding value, (Smyth, 2000).

The construction business is such that there is constant exchange of information and queries at all times, requiring high interpersonal interaction. When a client speaks good about a contractor to a perspective client it helps in building confidence in the client towards the contractor. It is an established practice that before purchasing any new product or to engage an agency client makes an effort to know their reputation.

Marshall and Murdoch (2001), suggest that "marketing must be understood not in the old sense of making a sale – selling – but in the new sense of satisfying customer

needs. That is, the construction firm's main aim should be to make sure that the organization's key abilities conform to the customer's needs. In this way both parties' objectives can be achieved only if the contractor's objective is actually to follow the client's objectives and expectation of the project.

In the construction industry maximum interaction between client and contractor's firm is through their employees. They know and have the experience on how best to deliver value to the client, directly through tangible aspects of time, cost and quality or indirectly through relationship building. They are also the ones into whom the client has placed trust which along with knowledge is important to add value, (Smyth, 2000).

3.7.1 Client handling models:

The key decision makers in the client's organisation should be identified by the contractor's management team so that it can extract their requirements, understand to what levels they expect of service quality and quantity, (Smyth, 2000). It is essentially a team effort involving encouragement, enlightenment, engaging, exhorting and empowerment for fulfilling the objectives. The team is solely dedicated to serving the client for their whole life and needs an effective planning to ensure continuity of the relationship. This is where the client handling model comes into place. There are two processes for the same, Account handler and Relay team.

Account handler is the model in which a member of the senior management, for e.g. contracts director or business development manager, is responsible for keeping a track of the account plus the projects of the account. The client's needs are to be understood in every detail and it involves management at both supervisory level and local level. The account handler is involved from initial contacts, through tendering, work at site and beyond the final account in order to maintain continuity of service, (Smyth, 2000).

In Relay team the contractor, instead of keeping the same staff, keeps transferring data pertaining to comprehensive and detailed knowledge within the staff of sales, contracts and off site managers. The information exchange includes:

- Specific offer and promises made to the client
- Expectations of the client
- actions need to be taken

In case of long standing clients with sufficient repeat projects, a continuity of service is important across projects and account handler model is more appropriate, (Smyth, 2004), additionally, the experience of the client on a project largely depends on the personality and style of the project manager and the contracts director, who mediate their skills, abilities and management through their personality, (Smyth, 2004).

3.7.2 Benefits for both parties:

Building close relations with the client increases the barrier for competition for the contractor because with every new firm that the client hires, switching cost will increase as the learning curve gets steeper for others. A well managed relationship marketing approach will be needed to increase the switching costs and thus help build a strong relationship. The benefits of a sound long term relationship can be enjoyed by both the client and the contractor.

Benefits for the client are as follows:

- Continuing cost reductions for the client.
- Tailored service provisions for the client.
- Greater level of client satisfaction.

Benefits for the contractor are:

- Repeat business for the contractors.

- Improved turnover and profitability.
- The benefits for the contractor results in reducing the tender or negotiation costs for the contractor in bidding for the next project for the client, in turn reducing transaction costs. Therefore the most favorable strategy for buying and selling between the client and contractor is a mutually co-operative one with high level of interdependence between the two. Co-operation creates a climate for mutual objectives to be met by integrating marketing and procurement through close relationships, (Smyth, 2000).

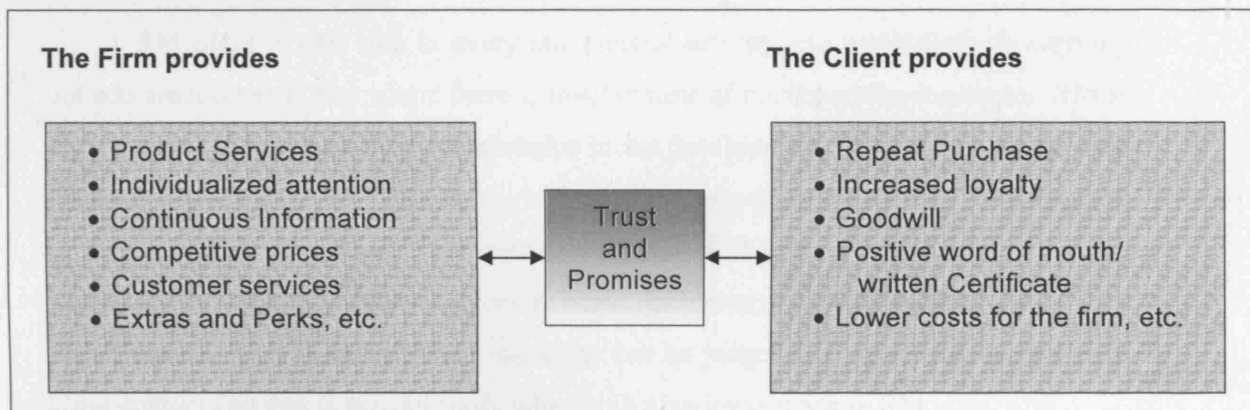


Figure 3: A Portrayal of the Characteristics of RM

Source: Long, Schiffman and Sherman, 1995.

There should be more focus on customer retention, high customer service and commitment and quality. "It is about recognizing that the organization's existing customer base is its most important asset, which has to be protected" (Winter and Preece, 2002).

"It costs five times more to find a new client than it does to keep an existing one". (Smyth and Thompson, 1997) This is the reason why we should pay more attention towards retaining our existing customers by improving relations with them.

It has been researched by Reichheld and Sasser (1990), that a 5% improvement in customer retention can cause a profitability of 25% to 85%

(NPV). It is better to obtain more orders and repeat business from the key clients as it will help in the growth of the firm, and this requires development of an integrated external client focus, internal service culture and interactive marketing skills.

“The firm needs to adopt a client oriented service-delivery and for this to be effective it would have to be infused throughout the organisation as a part of its culture”. (Langford and Male, 2001)

Summary

RM plays a vital role in every commercial activity and particularly in carrying out construction activities where there is involvement of client and the contractor. RM is a philosophy and methodology which helps in the development of mutual understanding which in turn creates trust between the two which is a must for the successful completion of mega projects like DMRC my research subject. RM helps both the client and the contractor. It is in the interest of client to retain contractors of sound integrity, reliability and efficiency. Sound integrity and reliability can be judged only when the two come in close contact and that is possible only when both give importance to RM.

The success of RM depends upon the study of aims and objectives, attitudes, organisation and functioning, and appreciation of work culture of each other. In present times the absence of RM creates wedge between the client and the contractor which surely affects the quality of work. None of the two should try to compete and impose its ideas, strategies, rulings, rather a common vision will go a long way in improving the quality of work and also the work will be executed well within the cost and time schedule. Thus it can be safely concluded that it is mutual objective which helps in creating a long term relationship. Appreciation of different values, beliefs, skills and manners of each other develops the foundation for the creation of trust between the client and the contractor. To achieve this, both the client and the contractor must remember that nothing could be achieved without regular communication and both must see that communication is perfect only when it does not create any kind of misunderstanding. The net result of any communication should be charming and conducive to the feelings of each other.

The contractor must always try to figure out the objectives of client so as to be able to know the approach and direction to achieve the successful completion of the project. Adding value should be the aim of the contractor for the satisfaction of the client which in turn will enhance the reputation and reliability of the contractor and he would be getting new projects even without bidding. In this regard emphasis must be laid for the cordial and cooperative behaviour between the staff of the client and the contractor as they are the people who are directly involved in the day to day construction activity and therefore their mutual understanding, appreciation of each others suggestions and decisions are a must to achieve the goal as trust means nothing but appreciation of the suggestions and decisions of others. I personally feel that indepth study of the success of various mega projects helps in learning how to create mutual understanding, cordial and conducive environment in the work field, faith and trust which are the basic requirements for the successful completion of projects in this competitive age. In this regard the example of 'Channel Tunnel', the under sea link between UK and France is an eye opener as one of the reasons of its failure will be a guide for the executors of future mega projects.

Chapter – 4

4.1 Methodology and Approach:

The methodology for the research is divided into literature review, formulation of framework, interviews and analysis of results. The theoretical background has been collected from various books and articles relating to the research subjects. Thereafter the theories are applied in the present context. By taking clues from the models discussed in figure 1, and figure 2, framework to carry out this study has been proposed which is discussed in Chapter 3. This framework has been developed by combining and modifying existing models used for analysis of client-contractor relationship to suit the case study in question. Relevant data required for analysis was collected in the form of exhaustive interviews, questionnaires and on site project information. The new framework was then used for analysing and proving the hypothesis.

The interviews of 6 Project Managers and 6 Assistant Project Managers in total of 12 decision makers were conducted from the client organisation that is the DMRC and various contractors. Instead of a strict objective approach which would have delimited any scope for discussion, a subjective style of questions were framed. This helps to look at the relationship and communication within the stakeholders. The questions were focused on various issues relating to RM, like, expectations from allied parties, problems faced in communication, factors affecting management practice.

DMRC has been formed by the state government and being a public organisation, to extract information was a difficult task, more so because there are number of ongoing projects under it. Interviewing project managers to express their views on their relationships with the contractors was also a sensitive issue. Therefore, to avoid any complexity, only completed stations, 19 in number in phase-I were selected for the analysis of this report.

According to DMRC's policies regarding RM theories consistent communications is an important tool for completing their objectives and improving services. It helps to develop knowledge, communication, information flow, motivation, responsibility and team work and also encourages the organisation to bring trust into the

culture. Results of this study were concluded from the interviews by formulating the questionnaire keeping in mind the client's and contractor's corresponding relationship management theories for an efficient analysis. The following flowchart illustrates the methodology:

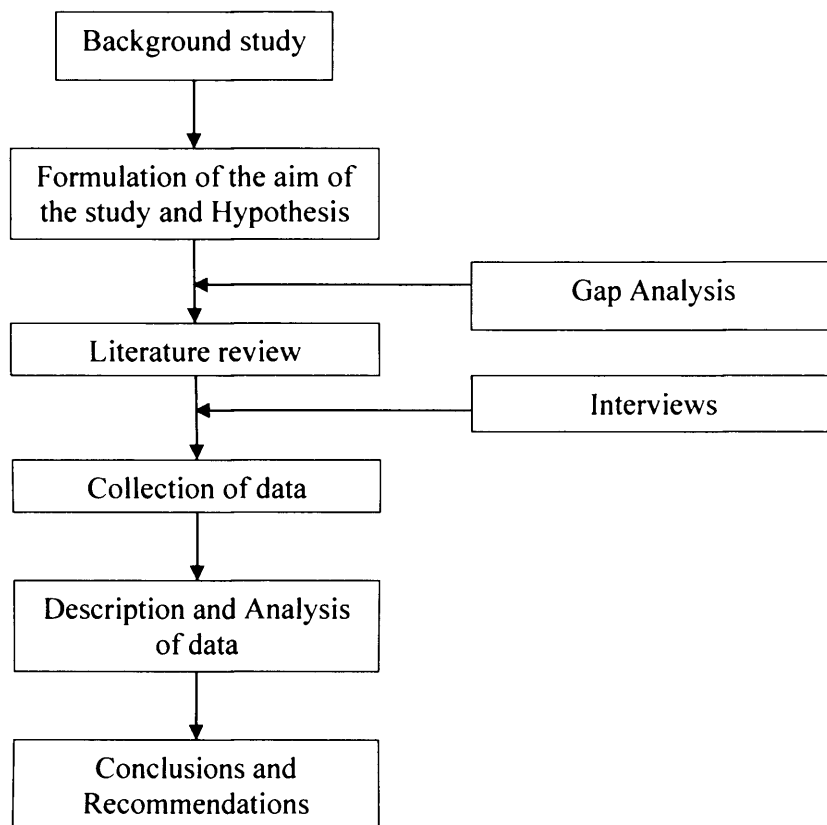


Figure 4: Flowchart of this Research

4.2 Hypothesis:

The contractor should concentrate on client satisfaction to build long-term relationships for getting continuous projects from the core clients retained by the contractor's firm. The hypothesis is that a good and healthy relationship exists between the client and the contractor which makes Delhi Metro a successful project in terms of time, quality and cost.

4.3 Theoretical framework:

The social and tangible factors which are responsible for RM is to be determined for both the contractor (for creating client satisfaction) and the client (what to expect from the contractor). Client satisfaction can be measured in terms of service quality and service experience the contractor provides, for building long term relationship. Correspondingly the client's relationship management can be evaluated based on the importance it gives to relationships as a service dimension. The model of GAP analysis has been applied in the present context after certain modifications. The questions which were general earlier focused on specific issues for minimising vague answers and inconclusive analysis. Based on the theoretical background and literature study the relevant tangible aspects have been identified to measure service quality and have been described below.

Communication is the most important aspect and an effective communication can increase efficiency in project's working and reduce costs. Communication can be maintained either continuously or it can be irregular. It can be assessed in terms of frequency of meetings between the client's and contractor's body. This shows the level of coordination between the two and it is the foundation for building trust.

Trust evolves out of communication, but effort is also required to increase it by ways of verbal promises, confrontation of misunderstandings and keeping regular contact. It is a crucial ingredient for establishing lasting relationships for the contractor. The contractor can build trust by going out of way to complete petty works without fussing about the advance payment. It is because of these small gestures that the client starts trusting the contractor.

Understanding is another factor for establishing strong relationships. Making the allied party feel comfortable should begin from the start and continue throughout the progress of the project. Understanding from the contractor's side comes from knowing what the client wants even if the details have not been mentioned. This can be achieved partly from experience and partly by doing a background study of the client. The client on the other hand can instead of being dominant, try to understand the contractor's

limitations. In this way a symbiotic relationship can be developed which will be beneficial to both.

The questions were also aimed at finding out what is the level of expectations of the client versus the fulfilment of those expectations. Expectations in general can be in the form of quality of service, service experience and the perceived values of the project requirements. Added value also comes from the behaviour of the contractor organisation's staff towards the clients. It accounts for the enthusiasm, responsiveness, and willingness to serve. They should also be flexible and accommodating if changes are brought about even during the progress of the project.

The project management teams of the organisations were questioned to determine if their client handling models were aligned considering the client's objectives and expectations. Long term relationships can be built only if all these factors are overseen in the right manner. The above parameters have been tabulated in a gist based on which the questions were formulated:

Parameter to assess service quality	Criteria for analysis
Communication	Frequency of meeting, coordination
Trust	Promises, Improved performance
Understanding	Perceived value
Expectations	Service quality, service experience
Project management strategy	Choice of Client handling model

Table 1: Parameters for establishing long term relationship and their corresponding criteria

4.4 Interviews:

The client organisation, the DMRC is an autonomous firm (handling construction, project management) which owns and is responsible for Delhi's metro rail's stations and tracks. The DMRC awarded tenders to those contractors who gave the lowest bid and passed the qualifying requirements. The tendering process is such that each tender is passed for a set of 3-4 stations in series. In some cases, a contractor may file for two tenders in a row. Thus those construction organisations have been selected for interview that have completed at least two set of stations. Also selection of the stations for the study was done after detailed preliminary discussions with the senior personnel of DMRC. Since the size and complexity of the construction of project varies depending on location, number of intersecting lines and levels of tracks, only those were selected having similar scale and complexity. In this way, untrue analysis is avoided as the project becomes constant and the only variables are those parameters used for determining the relationship between client and contractor. Thus client satisfaction can be analysed by comparing service quality and service experience which would vary in each client-contractor relationship. Finally the contractor organisations have been chosen based on the following criteria:

- Contractors must be large size organisations i.e. they must have completed more than one station tender.
- They must have a project management team in place
- Firms should have an experience of more than 25yrs.
- They must have dealt with multidisciplinary large scale Indian construction projects.

Within DMRC, a project manager and an assistant manager was assigned for each contractor for their set of stations. Out of all the contractors that DMRC hired, three contractors, JMC, Simplex and Tarapor were selected. It was ensured that the project managers were at the same position in hierarchy i.e. they had the same level of interaction with their respective contractors. Both the project management and assistant manager were interviewed together to avoid any conflict of views at least within the client organisation as the focus is on client and contractor's relationship. The following

Relationship Management

table summarises the number of interviews conducted and (with permission) the names of the interviewers.

Contractors	Clients	No. of stations	No. of tenders
Contractor A- Tarapore Sr. PM: Mr. Jagan PM: Mr. Radhakrishnan	PM: Mr. A.K. Gupta Asst. PM: Mr. U.C. Sontake	7	3C41A 3C41B
Contractor B- JMC GM: Mr. A.K. Khandpal PM: Mr. Nishith Shah	PM: A.K. Ahuja Asst. PM: Mr. A.B. Patil	6	3C42A 3C42B
Contractor C- Simplex GM: Mr. P. Gupta PM: Mr. Gautam Bannerji	PM: B.K. Mishra Asst. PM: Mr. Prakash Mohan	6	3C43A 3C43B

Table 2: Showing selected Contractors and Project Managers from DMRC for interviews.

Quantifying the determinants of relationships like trust, understanding etc. in precise numbers would have been a wasteful task. Therefore stress was on comparing relationships qualitatively and for that the interviewer was given enough scope for discussion.

4.5 Formulation of questionnaire:

The aim of each question was to understand what the client's team of project managers expects from their respective contractor. Each question was framed to get answers on one or more issues of relationship marketing, trust, understanding, expectation etc. Since all these aspects are interconnected it would have been impossible to get views on single issue in one question. The questions have been based on the gap analysis approach after some adjustments and additions. The questions modified to get sufficient information to analyse to see if the aim of the contractor is trying to build long-term relationships. The final questions have been illustrated in appendices. The questionnaire was formulated to

extract information such that few questions grouped together provide answers to aspect of relationship management:

Questions 1-8 Expectations and Satisfaction

Questions 9- 11 Understanding

Questions 12- 21 Relationship building

Questions 22-25 Coordination and cooperation

Questions 26-30 Trust

Summary

The aim is now to study the RM of the case study in question, collect data according to the questionnaire formulated on the basis of literature review. Analysis has been done using the theoretical framework. Thus in the gap analysis, it will be studied that what are the gaps in each of the parameters of relationship of satisfaction, expectation, cooperation, trust , understanding and relationship building and what are the causes of the gaps. Both the client and contractor were interviewed based on a similar questionnaire. This way we can get both the perspectives from client and contractor's side about the same project. The differences will then be analyzed and conclusions will be drawn based on that.

Chapter – 5

Description and analysis of the data collected

The data collected from the interviews of clients and contractor was compared and analyzed to find out if the hypothesis holds true for the DMRC project. The aim was to study the difference between client and contractor's expectations, perceived quality of work and actual efforts made. Starting from the tendering process, service quality, to perceived value, level of coordination etc between the client and contractor were studied from both perspectives to determine where and why the gaps existed. To analyze this soft system of management, instead of a quantified method of study, a rather subjective and comparative way of analysis has been applied, which is more suited for the subject of relationship. The following diagram illustrates the analytical approach.

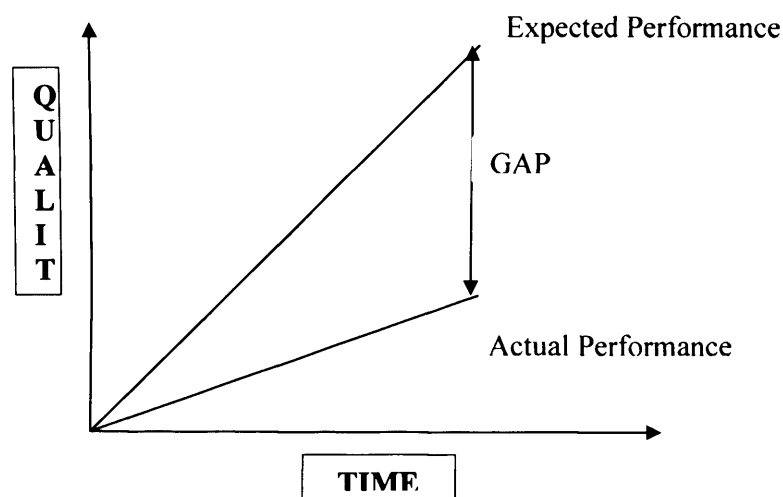


Figure 5: Gap between expectation and actual performance.

After collecting the answers reflecting the interviewer's opinions, each parameter comprising of an aspect of relationship was picked up individually and the gap between the client and contractor's perspectives was analyzed.

5.1 Expectation and Satisfaction

In studying relationship, it is not just client satisfaction but also contractor's satisfaction that needs due attention. Satisfaction was examined with respect to, golden triangle of 'time, cost and quality', performance, service experience and perceived value.

Firstly satisfaction of both client and contractor with the project in terms of time, cost and quality was explored. One of the **client's Project Manager, Mr. B. K. Mishra** said,

"We are satisfied and feel that the contractor's performance was of a high standard. They were successful in implementing the golden triangle of time, cost and quality which was the main objective of DMRC. I'd love them to continue but the DMRC policy says that the previous contractor cannot be employed again unless they have won the tender bid."

Contrary to this, contractors namely JMC working on tender code 3C42A and 3C42B suffered because of time overrun due to delay in supplying drawings by the DMRC. Nevertheless this was only in the first phase as afterwards the client realized that the contractors were suffering and so they improved their system of getting drawings from manufacturers of equipments to be supplied by other vendors well in advance. In the second phase contractor did not suffer on this account.

According to DMRC, there are four advantages if the contractors are engaged through the system of tendering;

- Corruption can be prevented
- Best prices can be obtained from the tendering
- Keeping all contractors at same level encourages competition and so performance improves.
- No undue advantage is given to any contractor

In effect, DMRC's hard system management worked only on contract. The contractor did not have any incentive to add better quality to the work. **Mr. Khandpal**, a project manager from M/S Simplex, contractors for the work against tender code 3C43A, 3C43B,

"Even though the relations were good, six crores (INR) were lost due to time overrun. Problems arose because the clients were not aware of how to handle the intersecting public services (existing electrical, water supply conduits etc.). We are willing to work with them again not only because it is a well known and prestigious project, but also because it is the first one to introduce project management, timely payments and there is no harassment; but not because of good relations with DMRC."

It can be seen here that the satisfaction level of client and contractor varies for different aspects of the project. Although both are satisfied with the relationship status during and after the project's working, the contractor is not satisfied with the transaction approach of the clients. Even though both the sides are keen on working again, DMRC's tendering policy of awarding projects strictly on lowest bid basis and ignoring previous relations is a hindrance for building long-term relationship.

Satisfaction also needs to be assessed in terms of giving importance to service quality and service experience. DMRC determined the quality of service experience of a contractor through the experience clause of pre-qualifying criteria. The importance DMRC gave to service experience is proved by the fact that it gave experience certificate to its previous contractors to help them clear the initial stage. Thus only if the contractor delivers good results, both the parties be satisfied and the project can run smoothly and face less bureaucratic problems and conflicts. Apart from experience, service quality was also important. **Mr. A.K. Ahuja**, one of **DMRC project manager states**,

"The contractors had put in a lot of efforts on their own to improve service quality, made possible by regular interactions. Meetings were held every weekend with lower staff regarding work progress and between senior managers every three weeks where main problems were discussed and solved. This helped in creating clarity of work, in what has to be done and how; ultimately service quality also improved."

Again it can be concluded that the clients were satisfied, but the contractors were left wishing for more efforts. Although the clients felt that the service quality was good, in practice it could have been improved a lot if the contractors were satisfied to the same extent. There is a gap here between the satisfaction of service quality between the client and contractor's perceived value. Further, contractor **Mr. Jagan from Tarapor** explains,

"Of course they were good as a client but more importantly it was a prestigious project. It gives satisfaction because we were a part of this project and after working in this project, one is considered the top leading Construction Company. But at the same time we are not here for charity. If there is loss of money, good relations don't work. In this project our focus was on quality of services, and last but not the least cost efficiency."

In addition to the service quality and experience, satisfaction of both sides is required on the efforts made by the allied party. If one feels that the other is not putting in efforts to improve quality and on coordination, there will be loss of added value. DMRC made sure of the contractor's expertise to provide quality prior to their selection, by specifying major details like equipment needed, technology required etc for their pre-qualification for the tendering. As told by **Mr. A.K. Ahuja, Project Manager, DMRC.**

*“Everything was pre-determined and told beforehand so that they can increase the service quality. Nothing new was introduced during the project's progress to avoid 'surprises' for the contractor. Also the contractor's ability for providing good service is important. If they have shown financial and technical capabilities in previous projects with DMRC, it shows that their bonding with them was good and the pre-qualification certificate is given based on that. If the relations were not good, that is, if service quality was not as DMRC expected then those firms were blacklisted. **Whether the relations are good or bad, there should be no failures from the contractor's side.**”*

Thus it was made clear as to what was expected out of the contractor to fulfil their satisfaction.

Yet in the client's opinion, the contractors should have hired experienced engineers and good employees rather than trainees and fresh graduates. They should have had more professionals to improve and bring the quality of work up to the standards of client's satisfaction. From the contractor's perspective, **Gautam Bannerji of Simplex says,**

“Coordination was not that good, so we requested for weekly meetings to save quality money and time and also to improve coordination with other agencies. But if the clients were unsatisfied with our job, we didn't get any extra time and money for correcting it. We were always blamed for doing wrong things.”

It is interesting to note here that the clients were not live to good relationship between stakeholders because they felt that they had nothing to lose, but the contractors felt that the contract was designed in such a manner that the blame of problems always came on them. They were quite evidently not satisfied with the autonomous/authoritative way of working of the client.

The client expected timely delivery of results, quality of service and service experience. All these account for value addition. The client explained that its

expectations were pre-defined and that in the pre-bid meeting, everything was made clear, B.K. Mishra, Project Manager, DMRC said;

“We never asked them to tailor their service as all was pre-planned and nothing new was introduced. Principal decisions and planning was agreed to in the contract. Between the process of awarding of tender and starting of construction, we gave the contractor enough time to prepare to meet our objectives and requirements. Besides this, in the contract we added a clause of value engineering to add value. It was also mentioned that for changes, contractors may claim for compensation and get up to 70% of the value addition.”

Therefore according to the clients there were never any conflicts between the client and contractor's expectations and perceptions. Although the client mentions the clause of value addition but there is no clear-cut definition as to what they expect in this respect. This is clear when Mr. Nishith Shah, Project Manager, JMC said;

“DMRC pre-poned the completion of Moti nagar station by one month and they achieved this target; they were not rewarded as DMRC said that there is no value addition”

The gap here lies in the client's satisfaction with regard to efforts made in adding value by way of completing the work earlier by the contractor and the contractor's claims that he had spent extra to complete the work earlier and time saved is money saved. This proved gap in expectation.

5.2 Understanding

Understanding dawns by knowing the needs, objectives and requirements of the other party. Keeping good relations, regular communication and meetings fosters this understanding. Only when all these are practiced the contractors tailor their efforts to suit the needs of the clients and similarly the client provide a favourable environment for the contractors to execute the work. Yet a difference was seen in the attitude towards meetings and there was a gap in understanding. As per **client's Project Manager Mr. Ahuja,**

“The contractors were very good in communication and understanding and all the credit goes to the leaders of their organization. But as per DMRC rules,

informal meetings are not entertained, to maintain a formal attitude. We never encourage any kind of outside relations or get-together at any level. This is to prevent the client from forming any negative impression or any kind of misleading view of the contractor's attitude. We strictly adhere to professionalism and discourage non-work related meetings."

The contractors felt that their relationship with client was good, and since there is a possibility of meeting the same people at some other time, they needed to build indirect relations. These meetings also help to understand the client's requirement better and in knowing what areas need to be focused on and what not. They felt that there is nothing to lose in such informal meetings and DMRC should have promoted them. The **Project Manager of JMC, Mr. Nishith Shah said;**

"We greatly favoured informal get-togethers and meetings to motivate the lower staff. It is in these kinds of meetings the differences get removed and strong relations are built. But in the case of DMRC it was not encouraged and we missed that opportunity."

This reflects gap in understanding between the client and the contractor.

As far as understanding the client's needs and objectives goes, the contractor's project management team made extensive efforts for the same. **Mr. Jagan from Tarapore said,**

"Our sales teams were briefed and directed towards client's needs and objectives that have to be followed. For an efficient decision making process full support was given to the middle management from the top management."

The clients also felt that their understanding with the contractor was good, because of clarity of work and open-mindedness. **Mr. A.K. Gupta, Project Manager, DMRC elaborates;**

"Everything was given in writing. Records were maintained to keep the management informed. For e.g. if the client expressed dissatisfaction for a particular job and asked for it to be changed, the contractor would write it in the register. The client's word of mouth was kept safe and there were no dispute regarding this at the time of claiming of compensation."

This was possible because there was transparency in the whole system because in the model adopted by DMRC, changes were discussed at regular weekly meetings. The on-site workers were given full support from the senior management staff of the contractor so that whatever the client asked to change, the on-site engineers/managers had absolute decision making powers to execute the changes efficiently and this helped add value. Consequently small decisions were taken quickly at site. This shows that there was a good understanding within the contractor's organization essential for providing smooth service.

To keep the contractor's needs in consideration, the client applied a strategy for the smooth working of the project. **Mr. Ahuja, Project Manager, DMRC** said that there were five things that DMRC kept in mind:

1. Availability of land for construction for the contractor before the start of project,
2. Making sure that there is clear and obstruction less site to work,
3. Designs/ drawings from architects and other vendors on time,
4. Timely payment mechanism,
5. Quick decision-making for solving any problem during progress of work.

It can be seen that the clients made noteworthy efforts from their side to provide a comfortable environment. The DMRC's project managers believed in its code of conduct and followed the contract document strictly. Contrary to this, the contractors felt that the clients' understanding in various issues could have been improved. For e.g. giving compensation payments on time, cease blame culture, allow informal meetings etc. One may agree with them and conclude that the client should have tried to understand more to decrease the gap. The next issue in focus is the importance of coordination and cooperation and how they were implemented.

5.3 Coordination and Cooperation

The model for effective communication that was adopted by DMRC followed a time-interaction curve in which the number of meetings increased during the start of the project, decreased during the middle, and again increased towards the project's completion.

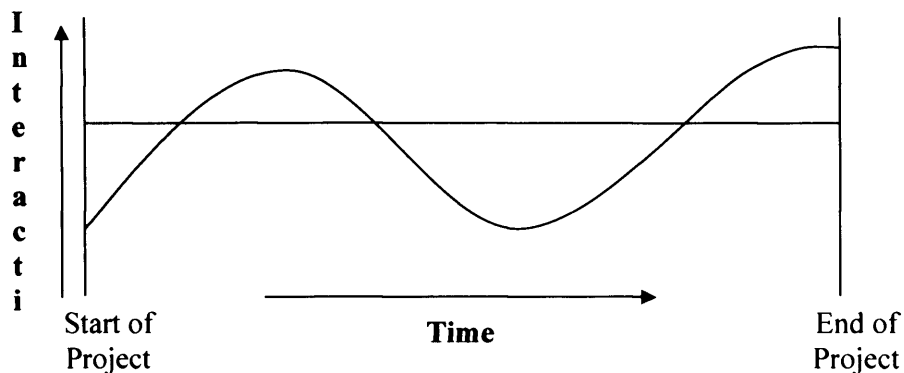


Figure 6: Time – Interaction Model

Interaction has been divided into different levels. Among senior staff, among lower level staff and further the lower level staff informs the senior staff regularly to keep everyone well informed. Project managers of DMRC agreed that there was a full support from senior management of contractor's organization, which fastened the process of decision making. Even the middle management staff did not hesitate to talk to the top management if needed. Frequency and clarity of communication with the contractor was good.

The client felt sufficiently consulted by the contractor. The managing director (MD) briefed the middle management and through them lower management was informed. The **General Manager of M/S JMC said;**

"In the first meeting everything was briefed to our lower and middle management and the action plan was made accordingly. Regular meetings with the clients were held and these meetings were very open in nature. Few ideas given by them were accepted. Mock up for all the activities was done. However the decisions on working of our management teams were our own and we did not appreciate any changes made by the client in this respect. At the end of it, it is a joint effort in association with the client's side to achieve the same goal and to work together on the same platform. There were on-the spot decisions because of the positive point of fast payment system of DMRC. Goods were delivered on time, which made the completion and delivery of project on time."

With regard to cooperation, **Mr. Khandpal** from JMC said that DMRC and their team worked together starting from the first stage itself while casting of raft foundation

and welcomed new thoughts and suggestions made by the client. They paid heed to the client's complaints and maintained a site order book for changes made by the client at site. Later a copy of the letter was sent to the client that gave in writing all the recent changes incorporated. **Mr. A.K. Gupta, Project Manager, DMRC said;**

"If anything was needed, it was cleared in pre-bid meetings and everything was pre-decided and written in the contract. Whenever the contractor needed clarification, they consulted our management team. The senior managers of their firm were committed in being touch with us regularly and they saw how things were going from our perspective."

The **clients claimed** that there was complete coordination with local authorities; that the contractor's management team was flexible to take decisions even if they didn't have the authority. The client gave full freedom to the staff to take decisions so that the work doesn't get delayed. For example, if during the middle of digging, local wiring was damaged, the client was ready to pay for the repair and improvement to keep the progress of project on track. Evidently all changes were recorded and informed at each level. Thus decisions were executed fast because of DMRC's claim that it was flexible.

The above shows good co-ordination and co-operation between the client and the contractor.

On the contrary, the contractors were not fully pleased with DMRC's way of working. They said that regular meetings were conducted to ensure what were the needs from client side. For example after October 2005, they were told that the line has to be completed on 31st December. It was a sudden requirement but they had to execute it on time and no compensation was paid. The date for starting of revenue operation was fixed and the line had to be inaugurated by 1st of January 2006 by the state Chief Minister. Thus to complete the work on time the contractor had to deploy extra resources for every task, which ultimately cost them a lot in the end. The **Project Manager of M/S JMC, Mr. Nishith Shah said;**

"We did all this to maintain relations and because of the work culture. This is our company's policy and it is our CEO's vision to make good relations with our client as our core competency whether or not we have to pay extra for it. Furthermore it creates a good reputation of our company in the market. In our firm, performance based meetings were the main management operations and

were conducted regularly to make sure that client's needs are addressed and fulfilled at each level."

This shows that there is gap in co-operation between client and contractor, whereas contractor co-operated with the client to complete the work one month in advance by spending additional resources, the client has not compensated the contractor on this account.

The **CRM modeling** adopted by the contractor to keep good relations with the client helped them provide not just client satisfaction but also understanding, effective cooperation and trust which are all basically the intangible aspects of added value.

5.4 Trust

Trust is built up by respecting other's decisions and suggestions. In this case, trust was shown during the on-site changes done by the client. The client told that when they gave instructions at site, contractor had to follow it and was clear about it beforehand. Even if it was not as per the contract, they still have to do it, as there was a clause on compensation. For this the contractor also had to be very flexible. If any unforeseen problem arose, the client gave no extra time or compensation. The contractor on the other hand, had to execute the client's demands for changes told at-site and record it in the register later. Thus the contractor trusted the client's word of mouth. However, **Project manager of M/S Tarapore Mr. Jagan said,**

"A joint account was made where we applied for compensation but it solely depended on the client whether approve the compensation or not. It took time and the process was not so fast but at that time we had to do changes because we were left with no other option."

After looking from the two perspectives, one can say that the contractor was under pressure to trust the client, and was left vulnerable regarding issues of compensation. The client's trust was limited to those written on the contract. This reveals an unfair one-sided situation and client-favoring contract leading to gap in trust between client and contractor.

All contractors stressed that trust is very important factor in building any kind of relationship and that it is embedded in their work culture. Trusting and being open to

proposals and suggestions is also important for relationship building. All the project managers from clients side were generally satisfied that the staff of contractor's organization was open to suggestions made by the client staff. Similarly, the contractor also felt that the client respected their recommendations. **Mr. Jagan**, Project manager of M/S JMC Tarapore also said;

"We gave them suggestions and alternatives to which they agreed. They also agreed to the estimates made by us, though the payments were delayed. Furthermore we had brainstorming sessions with the client to go through each problem and with this the client was also positive."

As can be seen from the above findings, there was mutual trust regarding suggestions and both the client and contractor 'listened' to each other but as far as taking decisions is concerned, the client took undue advantage of its position and forced the contractor to follow its orders. Trust is built only when there are integrated efforts from both sides. Building a trustworthy relationship needs a change of dictatorial attitude of DMRC to a more equitable relationship. The contractor can add value to the service quality only when there is trust and a fair environment.

5.5 Relationship building

Relationship building is a two-sided effort and involves building team spirit, trust, encouragement, understanding etc as can be seen from previous analysis. On interviewing, the clients agreed that relations in construction industry are very important because:

- Good relations never increase the cost
- If good relations are there, the contractor will not try to exploit the client and quote higher rates than what it should be. At the same time client will not bargain to lower down the rates quoted by the contractors.

When asked a contractor's project manager Mr. Gautam Bannerji also agreed and told that they too honour building relations and said that in the current highly price competitive environment firms in other fields too like Honda and Infosys are taking care of relationship marketing.

Coming back to DMRC, the **client said**,

“Encouragement culture was endorsed. We always welcomed suggestions from the contractors. Decision making process was made flexible for work efficiency. All this helped sustain team spirit. Since this was the first phase of the Delhi metro line, a major factor for endowing high team spirit, both sides were flexible, which fostered trust, honesty and shared values. The contractor was very positive which lifted the team spirit. The relationship we shared made a lot of positive change, which means that positive relation was a tool to make this project possible. We trusted the contractor with his work otherwise this would not have worked.”

Team spirit and encouragement was good, which added value to the product as can be inferred from ‘*positive change*’ that the client mentions. But it is not enough and long-term relationship building is one of the most important factors for value addition. The **Contractor’s perspective** is that though long-term relationship building is important, it is of no use because for every new project, clients make new tenders and they are not sure to get the work.

“It is only the pre-qualification stage till where we can reach, but it is always better to keep good relations with client because it makes a conducive environment to work in and at the same time it helps in avoiding blame culture. Moreover there is no point in fighting as nothing is gained out of it.”

The most important aspect of RM is **long-term relationship building**. According to **Mr. Ahuja**, in a competitive market, relations are important but the system adopted by DMRC is much more effective because one can see that from 2000 till now there is 5-6% lowering in the cost of tender and this has become possible because of DMRC’s tendering method. To this the **contractor M/S Simplex’s Project Manager Mr. Gautam Bannerji was of the view that;**

“Small time players, whose quality is lower, come and bid lower rates. We have quality-ensuring staff, testing laboratories etc. which they don’t, and so in my opinion, DMRC by accepting their offer is compromising on quality as with reduced rates they cannot give quality of our standard”.

Mr. Ahuja from DMRC contradicted,

“There are no benefits as such from maintaining relations other than maintaining good work culture and work ethics and in case we have to work together on some other project. Good reputation needs to be maintained throughout the construction segment. This is thus basically relationship marketing for not only DMRC but also other projects.”

A gap was seen in the views of client and contractor on the tendering process. The contractors wanted that their previous relations with the same client be considered while awarding the tender whereas the client believed in giving tenders not based on previous relations but on price and quality. The client's policy of tendering is based on the rule that the lowest bidder is awarded the winning tender. In order to quote a low price, a question arises on the quality of work. The **contractors claim** that they did not reduce the quality to lower their bid and quoted the prices as per their company's standards. They say that they do not compete for a tender by price-cutting as it would be against their firm's policies. The client on the other hand say that they ensured quality through the qualification round for choosing contractor, which includes firm's profile, work experience, portfolio, etc. All the contractors interviewed were the lowest bidders, although they claim of not practicing any price cutting in quality.

Those contractors that abstained from price-cutting to maintain quality decreased their chances of making the lowest bid. Also their profit reduced as maintaining quality always comes at a cost. This sincere attitude of the contractors, especially those who have worked with the client before, was not acknowledged. The client always went for the lowest bidder, even if they had not experienced their work before. It shows the miser attitude of the clients. The contractors did not have any incentive to provide value addition, which could have improved the service quality to a great extent.

The contractor's expected for long-term relationship building while DMRC did not believe in long-term commitments and for every project new tenders were passed. Thus there is a gap in the understanding of relationship between the client and contractor.

5.6 Summary

The analysis shows that there are similar gaps in all the three relationships of all DMRC and contractors' project managers. If a client does not show hope or assurance of constructing long-term relations, then the contractor's efforts for adding value are limited to the life of project. Though the clients say that they do not expect more than what is stated in the contract, there is bound to be some loss of service quality. Also they have to start the process of relation building with a new contractor all over again. This means that the transaction cost will increase. But this extra cost is basically borne by the contractor in making the large tender documents. Also it is a betrayal of the trust they developed in the client. The clients who were interviewed argued that their method of working is purely professional and detached.

According to the analysis, it can be safely concluded that although it was advantageous for DMRC to abstain from committing with a particular firm in terms of cost, there was a loss of added value and for the contractors it was an unfair situation they had to work in.

Chapter – 6

Conclusion and Recommendations

The main objective of this research is to analyse the relationship management approach of the client and contractor's organisation and the resultant relationship developed between them. The constituent issues of RM to meet the client's and contractor's objectives have been identified and include understanding, satisfaction, expectations, cooperation and trust. The theory has been applied to explore issues of trust and cooperation in client-contractor relationships, in DMRC project in India. Smyth (2005) also examines trust in client-contractor relationships, referring to internal hierarchy of their organisations and supply chains. The key factors for client-contractor relationship of shared objectives and problem resolution procedures have also been researched. Walker and Hampson (2003) also assert that the relationships among parties are the crucial factor in successful building procurement.

The questions of long term relationships, value addition and service quality have been studied using the gap analysis approach to analyse the gap between expected and achieved value. To collect necessary information, a qualitative survey had been conducted using questionnaires and interviews. According to the analysis the following expectations have been deduced where there is further scope for improvement:

The Client expects:

- Additional Value for money- best quality possible for the money invested
- More expertise from the contractor's professional services
- More reliable production i.e. projects constructed within budget and on time.
- Absolutely no failures from the contractor's side

The Contractor expects:

- Provision of incentives for value addition
- Payments on time and Surety of getting compensation for on-site changes
- A reasonable return for the risks he takes
- Clients who do not blame them for all mistakes and who do not change their minds often
- Satisfied clients and repeat business

As is evident, the expectations of both the clients and contractors are not in conflict, they are complementary. There is a need to understand each other's perceptions by both the organisations.

The results of the findings lead to conclusions partially contrary to the hypothesis. The Delhi Metro Project has not been entirely successful in terms of time, cost and quality, but it has been proved that they should concentrate on building long-term relationships for improving quality. Following are the conclusions of the analysis:

- Client-contractor relationships in DMRC are generally harmonious. Both parties trust each other to some extent, and behave cooperatively except for a few exceptions.
- Trust towards the contractor does not necessarily mean integrity of both organisations as a single team. Especially in the case of DMRC, the relationships tend to be relatively distant, and the parties conduct their business separately for their own objectives.
- There is some 'superficial attitude' in the trust-cooperation towards their clients from contractors is seen. The main reason for this is that they cooperate with the clients only for forwarding the projects smoothly, and their own achievement as a professional.
- Even cooperative clients frequently make unreasonable requests to their contractor, and do not pay sufficient reward to their response. This behaviour may worsen the harmonious relationships with their contractor.

A successful and effective project creates value for all the engaged parties and can survive other inefficiencies of cost overrun, late completion or operational problems. Construction organisations should see themselves more as service organisations and put more effort to understand their client's desires and aspirations (Mc. Cabe, 2001). This can be achieved only through sound and strategic relationship marketing. It must be stressed that it is not just the contractor's understanding of the client's needs but also vice-a-versa which determines the success or failure of a construction project. The contractors should know how to provide effective service quality and experience and the clients should know how to provide a productive environment for the same. If both create a better relationship, then their relationship will itself be a 'part of the solution, not part of the problem.' This relationship should have mutual trust, shared objectives,

incentives to all the parties, and appropriate allocation of responsibilities and risks. The recommendations and proposals for further improvement are as follows:

- Shift of the contractor's attitude from 'superficial attitude' to 'collaborative attitude' requires an appropriate reward from the client to the contractor according to his/her effort, devotion, commitment, loyalty, or collaboration.
- The relationship between DMRC and contractor is good but can be improved further and for that they should provide incentives to the contractors so that they can add value, innovative ideas, improve service quality and deliver efficient work.
- Currently only 3-4 stations are awarded per contract. If DMRC is satisfied with a contractor's performance in a previous project executed with them and if the contractor has cleared the bid for another tender, then more number of stations should be given to them as an added incentive. This in fact has been desired by each contractor interviewed. It will improve their relationships and trust to achieve long term goals.
- The contractors should try to spot and minimise the gaps in their service by asking the client directly, because only then can they decide how to respond to them in order to meet the client's needs in future. Collaborative rather than confrontational working should be practised.
- Incentives can be provided in terms of rewards for before-time and timely completions, completion of construction within budget etc.
- As discussed before, DMRC's tendering cost has decreased drastically, but also it is a matter of concern that the quality has also gone down because of bids from small players. The client should thus rather than select the contractor based on just the price should also consider the contractor's added features and benefits.

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Appendix

Client Interviews

Expectations and satisfaction

1. Was the project completed on time and within the expected budget?
2. Do you think that contractor put in enough efforts to improve service quality as compared to project's requirements of time, cost and quality?
3. Do you think the contractor's staff had necessary competence and experience to provide good service quality?
4. How do you rate the contractor's performance in terms of efficiency?
5. Do you think that the contractor's performance measured up to the level of your perceived value?
6. What were the efforts made by the contractor to meet your expectations?
7. Do you consider the service quality and service experience of the contractor during the tendering process?
8. Would you recommend the same contractor for your next project?

Understanding

9. Do you think that the contractor was understanding regarding your needs and expectations?
10. Was the contractor's team open to new ideas given from your organisation?
11. Do you expect the contractor to give you customised service according to your requirements?

Relationship building

12. What importance did the contractor give to relationships to understand your requirements?

13. Was the contractor's organisation able to manage relationships with your organisation at all levels?
14. Do you think contractor were successful in creating a conducive environments for sustaining strong and lasting relationship?
15. Do you think maintaining long term relationship is important for you and the contractor? In your opinion what are the benefits of this?
16. How did the contractor interact with your senior level staff of your organisation to know the objectives of your organisation?
17. Did the contractor perform according to what was promised and decided at the start of the project?
18. Did the contractor have any set system of approach to give a regular service to your organisation?
19. Did the contractor appoint any project management team to represent their organisation and did they have relevant decision making powers to avoid long delays and unnecessary conflict of ideas?
20. What all steps did you take to inculcate the right atmosphere for the project team?
21. Is making good relationship with contractor's organisation is given importance by your organisation?

Coordination and cooperation

22. Did the contractor take the responsibility of keeping the client informed on the project with full clarity and on a regular basis?
23. Did the contractor consult your organisation before and during the execution of the project and till its completion to know your expectations?
24. What was the nature and how frequent were your meetings with the contractor's staff?
25. At what levels meetings were conducted in the hierarchy of the contractor's organisation?

Trust

26. Did the contractor made any suggestions and proposals to improve the quality of service?
27. Were you flexible to new ideas given by the contractor?
28. Did you trust the ability of the contractor?
29. Was there any gap between the commitment made by the contractor and the actual implementation of the same?
30. Was the contractor asking for written orders even for the petty decisions taken at the site?

Contractor Interviews

Expectations and satisfaction

1. Was the project completed on time and with in the expected budget?
2. Do you think that client put in enough efforts to improve service quality as compare to project's requirements of time, cost and quality?
3. Do you think the client's staff had necessary competence and experience to provide good service quality?
4. How do you rate the client's performance in terms of efficiency?
5. Do you think that the client measured your performance up to the level of your perceived value?
6. What were the efforts made by the client to meet your expectations?
7. Do you consider the service quality and service experience of the client during the tendering process?
8. Would you work for the same client for your next project?

Understanding

9. Do you think that the client was understanding regarding your needs and expectations?
10. Was the client's team open to new ideas given from your organisation?
11. Did you give you customised service to the client according to their requirements?

Relationship building

12. What importance did the client gave to relationships to understand your requirements?
13. Was the client's organisation able to manage relationships with your organisation at all levels?
14. Do you think client were successful in creating a conducive environments for sustaining strong and lasting relationship?

15. Do you think maintaining long term relationship is important for you and the client?
In your opinion what are the benefits of this?
16. How did the client interact with your senior level staff of your organisation to know the objectives of your organisation?
17. Did the client kept their promises which they decided at the start of the project?
18. Did you follow any set system of approach to give a regular service to client organisation?
19. Did the client appoint any project management team to represent their organisation and did they have relevant decision making powers to avoid long delays and unnecessary conflict of ideas?
20. What all steps did you take to inculcate the right atmosphere for the project team?
21. Is making good relationship with client's organisation is given importance by your organisation?

Coordination and cooperation

22. Did the client take the responsibility of keeping the contractor informed on the project with full clarity and on a regular basis?
23. Did you consult client's organisation before and during the execution of the project and till its completion to know their expectations?
24. What was the nature and how frequent were your meetings with the client's staff?
25. At what levels meetings were conducted in the hierarchy of the client's organisation?

Trust

26. Did the client made any suggestions and proposals to improve the quality of service?
27. Were you flexible to new ideas given by the client?
28. Did you trust the ability of the client?

