

## TIPS & TECHNIQUES

# Client - Contractor Relations: How changing from "Master - Slave" to a "Master - Master" relationship can lead to more successful project delivery!

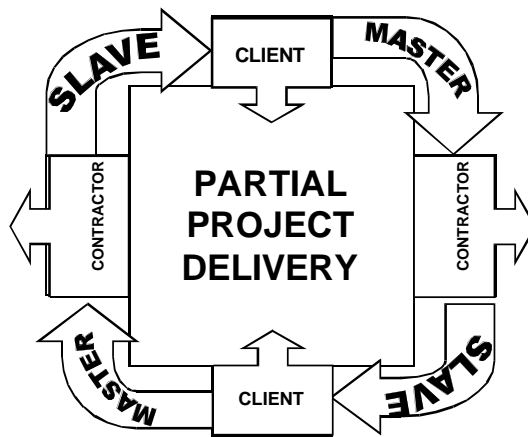
*By J. Ajith Kumar*

One of the most important aspects that decide the success or failure of any project is the nature of relationship that develops between the Client and the Contractor. In office environments which are increasingly becoming paperless, the importance of personal relationships cannot be over emphasised. It is an absolute must within a company but equally important between companies even if some of them happens to be the Clients and others the Contractors. Givers and Takers are in the basic nature of business transaction and the role of various companies in various contracts will be different. What is relevant is the development of permanent policies for each company in dealing with their Clients or Contractors. Like in the case human beings, development of value-based policies for dealing with others is always more stable and long lasting for companies.

The classic model of a Client-Contractor relationship is that of Master and Slave. Those on the Client side always take the attitude of Masters and expect those on the other side to be the Slaves. In bygone era when Clients were few, rich and powerful, the formula worked well with little trouble. But it is not the case any more. Many of Contractors are multi-national and some of them even more rich and powerful than many of the Clients. The reversal of attitude does take place in some such cases when contracts are finalised between a medium local Client and a major multi-national Contractor. The aspirations of Client personnel to rule over the Contractor personnel are brushed aside and even taken to the other extreme. In both cases the net result is the partial or full failure of the project they are engaged in.

### ***Master-Slave***

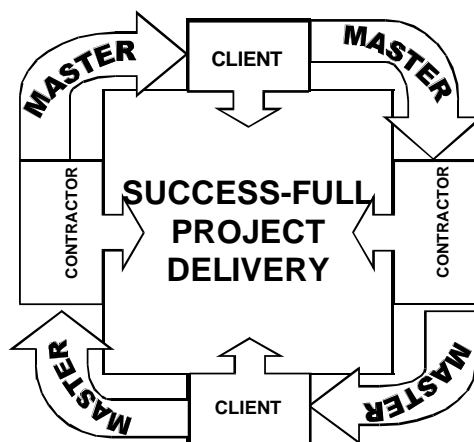
The unique advantage in a perfect Master-Slave scenario is the clarity in flow of command and the unquestioned ease of execution. Decisions are made faster without a debate from people on both sides of the contract. No doubt it is a perfect one if the project in question involves more of materials supply rather than installation and commissioning of a facility. The enabling advantage is the clarity which is possible in specifying materials without much scope for discrepancies. Unfortunately, such clarity is not possible when we are dealing with the so-called 'brown-field' and 'green-field' projects involving material supply, design & engineering, construction and commissioning. Even the best of contracts made for such projects can specify only about 90% of the actual requirements of the Client.



What the Master wanted may not exactly match with what the Slave wanted to offer. And unless and until there is a dialogue, there will be no meeting of minds about the interests of both parties. The successful completion of any project takes place only when there is perfect understanding between the interested parties on the basis of a transparent mechanism. In the case of a Master-Slave scenario, the Slave will have more to hide and Master will always want to see more. The resulting conflict of interest will definitely harm the interests of the project they are involved in. Even if the Client's representative is strong enough to drive the contract to a conclusion, the net results will only indicate to a partial delivery of what was intended.

**Master-Master**

Office and communication technology has grown in leaps and bounds in the twentieth century. Open source codes and 'open-book' contracts are bound to become commonplace in twenty first century. In this open scenario, the only type of relationship that can attain a dynamic equilibrium between Clients and Contractors is that of Master-Master type. In any project contract, the Client must accept the fact he is the Master on one side and the Contractor is the Master on the other side. If the Client-Master is clear about what he wants and what is he is willing to give, the Contractor-Master must know how to deliver it and get his legitimate money. Minimum return on investment is the minimum requirement of any business and the axiom is equally applicable (and must be acceptable) to both Clients and Contractors. If there is such an understanding, the resulting project delivery can only be full and successful.



There are several advantages associated with a Master-Master relation in any business transaction. Any deal among equals is always more long lasting than one among unequals. This is equally true of individuals or entities. The dealing between USA and USSR during the cold war

era is an apt example for this type of relationship. A Master might take his Slave for granted, but one Master will never do so with another Master. The resultant respect, understanding and even rivalry and competition will only add to the process of completing their interactive tasks in a successful manner. A cursory look at the all the top projects successfully completed in various parts of the world will always point to two equally competent Masters on both sides of the contracts.

Middle East is not only the hotbed of turmoil but also the new 'melting pot' where major Clients and Contractors are involved in affairs of construction. Conservative estimates put the overall construction work in the region at around USD 150 billion and there may not be any other region that can match it. Development of knowledge goes hand in hand with investment and there has been tremendous developments in contracting and construction in this area. The quality of relationship between parties in contract has undergone a paradigm shift. From predominantly Master-Slave relations, it has clearly matured into Master-Master relationships. The net result has been tremendous improvement of project deliveries. One thing is very clear - when we are talking about projects worth billions of dollars, there cannot be any other type of relationship that would work. Both the parties getting involved in a contract for a billion dollar project must be equally rich, powerful and pro-active to make it successful. Integrated Service Contracts, Risk-sharing Lump sum Contracts and Cost-plus Fully Reimbursable Service Contracts which aim at seamless operation between Clients and Contractors in a Master-Master environment are the true pointers to the contracting strategies in twenty first century.



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