

# Managing and Mismanaging Stakeholder Expectations

## Promise them anything, but give them what they want!

by Guy W. Wallace

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Dateline: Detroit. Labor Day weekend 1994. A beautiful sunny day—perfect for a wedding. What could possibly go wrong? Planning for this day has gone on for decades. For decades? Sure.

Next time a wedding procession of honking cars passes you by, look around. You'll see young girls' noses pressed up against the car windows. You know that in their hearts and minds they are dreaming of someday being the bride in the lead car: that's the day the planning begins—decades early.

Let's make this personal. I'm Uncle Guy. I videotaped the entire series of wedding events for my niece because one week prior to the big day the person hired to do the video canceled out (he was going out of town). Hey, not totally unexpected from these one-person shops selling fairly inexpensive personal services such as videotaping a wedding. But that's a different story.

### ***A Company Reputation at Stake***

This story is really about a big-name car rental company who has savaged their own reputation with the 250 guests and the untold numbers who will hear this story every time this wedding is mentioned or the video shown. Or when any other attendee from this wedding hears some other bride and groom's similar plans. Or maybe they aren't planning anything similar, but they get *warned* anyway. The damage to this company's reputation will continue unabated.

Let's call the bride and bridegroom Wendy and Chris (their real names). Wendy and Chris planned in great detail for 12 months immediately prior to the big day. (*I know. I heard about it ad infinitum for those 12 months. I'm an uncle, remember?*)

Since I am one of these obsessive/compulsive types, I was pleased by all of their planning—I like plans and planning. But I wish I had heard about this one before the wedding day because I never would have believed the promise made by the car rental company—I could have warned them.

### ***The Plan that Went Awry***

Wendy and Chris didn't want to rent limos and be driven around by strangers; they wanted to rent four big, white Lincolns (Are you narrowing down the culprit company here?) with black interiors for the wedding party to drive. The words that would haunt us: rented Lincolns, white and black (the wedding colors), the promise and all that planning.

### **The Promise**

They called six months early, explained what they wanted and why. The reply by the rental firm representative, "No problem—you're calling so early." They called again two weeks before, just to check. Again the answer, "No problem."

## The Letdown

On the big day, the groom and groomsmen went to pick up the four big, white Lincolns. Armed with all the paper flowers, signs, string, and tape to decorate the cars for the wedding procession (which would inspire more young girls to visualize their own big day, decades early), they entered the car rental office and asked for *their* planned for and promised cars.

“Four big, white Lincolns? No, we haven’t any—but no problem,” said the counter clerk, “We have three Lincolns: one white, one blue, and one red.” (Very patriotic colors for Americans or the French, but not the colors of this wedding.) “Of course it’s not a problem for you; you’re not getting married in five hours,” screamed Chris. No apologies or compensation were offered, only the three patriotic Lincolns and at the standard rental rate.

## The Plan Goes a Bit More Downhill

Chris refused to do business with them and went to a competitor down the road. He couldn’t get what the dream plans called for of course, he could only find one champagne Lincoln for the bride and groom. After all, it was Labor Day weekend. The rest of the wedding party drove in their own older, somewhat rusting carriages.

These are young people. They all can’t afford the newer, nicer cars. But they could afford to rent for one day. And if they ever do, who can blame them for avoiding our culprit car rental company or for going out of their way to tell others about the culprit car rental company?

## One Very Dissatisfied Customer Captured Forever on Video

I’m at the church, getting all the shots of the wedding party and guests arriving (remember I had to step in because the planned videographer bugged out). Clips of the bridesmaids getting ready; proud, smiling grandmas and grandpas, uncles, aunts, friends, the organist, the minister arriving; the whole nine yards. The complete video: six hours to be boiled down into a tolerable two. I’ve reviewed and logged it all in preparation for the editing chore ahead of me.

But right then, my big decision was how many of the audio/video clips should I include of the groom, Chris, screaming or more calmly telling the car rental saga. I have more than one dozen clips, but I could have had 30 to 40 and still not have caught each time Chris retold the story.

- To me and my camera when he arrived at the church
- Everyone as they arrived
- The employees of the 7-11 where they went to get breath mints for the cigar-smoking groomsmen

Everyone heard the same story being repeated by a groom who must have felt as if he had personally disappointed his wife to be. All day and all night. Only the minister got the tame version.

Everyone who heard the story that day will retell it until it becomes part of the wedding culture of our town. In fact, I heard another young, engaged couple talking about it at the reception. They had heard all the details, including the name of the car rental company. This is what we the people do: we warn our family and friends.

## Managing Customer Expectations

The point of personalizing all of this is to examine the concept of managing (and therefore not mismanaging) expectations for any of our organization's stakeholders: customers, employees, suppliers, managers, shareholders, or folks in the community.

Why did this car rental company mismanage the expectations of its customers when their shareholders require them to increase the value of the company and thereby their shareholder equity? And why, why would they promise, not once but twice, that they would have four big, white Lincolns just waiting on the airport grounds for the big day? How could they make such a promise?

Are you shaking your head and wondering too? Or perhaps, as I hope, you are hoping your company doesn't make the same type of mistake, or remembering that they have and wondering how to avoid future loss of sales.

## How to Avoid Becoming a Legendary Poor Service Provider

So what should the car rental company have done when first approached by the bride- and bridegroom-to-be? Likewise, what should your company do to avoid becoming part of the bad service lore and legend of your region?

**Begin with honesty**—Meeting the customer's requirements begins with honesty. If the customer's most pressing need cannot be met with any guarantee, none should be given. They could promise to try their best without guaranteeing that they could pull off a minor miracle.

## Satisfying Customers While Protecting Shareholder Interests

This is a prime example of a trading off of the customer's requirements for those of the shareholders who simply can't afford to maintain the kind of inventory or practice the kind of asset management that the car rental promise required. In the real world of business, such a tradeoff has to take place despite slogans or posters that proclaim the customer is a king or queen.

The shareholder's need for sound business, financial, and asset management practices must win out over customers' expressed needs that exceed the company's abilities and assets. Such decisions are right and good—quality business decisions because the customer is not always king.

## Saying that the Customer Is Not Always the King Is Not Heresy

A supplier merely has to meet or beat its competition but not exactly and in every case meet its customer's requirements. Here's one example that few would argue with. If the customer wants you to do something illegal, who is king? The government stakeholder is king, with the power of the law behind it. It wins all conflicts regarding stakeholder requirements. If we can't meet some of the customer's needs, wants, desires, and demands, what should we do?

## We Need to Manage Customer Expectations

We need to educate the customer, employee, supplier, etc. about why we can't do what they want, or about what it will take to meet their requirements. Why? Because customers are just one stakeholder with less of a call on the firm than our primary stakeholder—shareholders. We cannot conduct business in such a way that we reduce shareholder equity, and that fact is explainable to our customers, even if they are two young kids.

## Not yet Convinced? Still Want to Be King or Queen?

Would you let your brother-in-law build a porch on your house because it fulfilled his need to be nice to you, even if you knew for a fact he would do such a poor job that the value of your home would immediately drop by at least \$10K? From an owner's viewpoint, you would say "no way," even though from an in-law viewpoint it would be nice to let him meet his need to be nice to you. The bottom-line message—you can't afford to reduce your own equity to satisfy every need or desire expressed by a customer.

## Don't Promise if You Can't Deliver

What should the car rental company have done?

1. Never made the dang promise in the first place! They were managing expectations that they couldn't possibly guarantee to meet.
2. They might have explained rudimentary asset management concepts in simple terms and offered them alternatives such as renting the cars for a day or two in advance to be absolutely sure they would have them on the big day.

Do I hear you saying, "Uncle Guy they can't afford that"? What's that, they couldn't afford their own requirement here in the real world? What then? What would you do? Get a new requirement most likely, or modify your plan.

Even wedding plans that have evolved over decades can be modified if done early enough.

My uncle counsel to Wendy and Chris was this

- Life is what happens to you while you are busy making other plans.
- Conduct risk assessment of your plans for life.
- Plan contingencies.
- Try not to take it all so seriously when your life doesn't unfold exactly as you had planned.
- Enjoy life. Enjoy each other.

My counsel to my readers here is

- Practice good customer expectation management.
- Be real.
- Treat people as if they are smarter than you think they are (*they usually are*).
- Tell them the truth.
- Make sure your stakeholders' attitudes, opinions, and knowledge of the facts have been duly influenced by you.

- If you expect there will be some objections to your message, plan a strategy to overcome them—preferably before they are even raised.
- Explain why the objection cannot be met or what it might take to meet it.
- Explain the alternatives.

What we say and how we say it is critical for gaining the grudging acceptance of people who aren't exactly happy but are not furious and telling their story all over town because their expectations were so mismanaged or they were misled.

Deliberately or inadvertently mismanaging stakeholder expectations is a quality crime.

*A postscript note to Wendy and Chris: It'll probably be somewhere near your one year anniversary when Uncle Guy will have your video edited. Yeab, I know. Later than you'd like. Maybe later than you'd planned. But here's what I can do for you. You can have an unedited copy until then. OK?*

*Love, Uncle Guy*