

Stakeholders Beyond the Customers: The Customer Is King (Not)

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It's been decades since I saw a poster on the wall at a client site reading exactly or intending to convey that "The Customer is King." But I have heard this sentiment spoken or inferred in things I've read recently.

A quick test: Are we willing to meet the customer's requirements at *any* cost? Even if that requires us to break the law?

The answer is "No!"—and it is no because nothing in business (or anywhere else) is really that simple. The truth is there are a very complex set of Stakeholders beyond the Customers for any Supplier—be they internal and/or external Suppliers. And another truth is often the requirements of the various stakeholders are in conflict with each other.

What's an empowered team of people to do as they confront these realities? Deciding who wins and who loses is a game few like to play.

Who Are These Stakeholders?

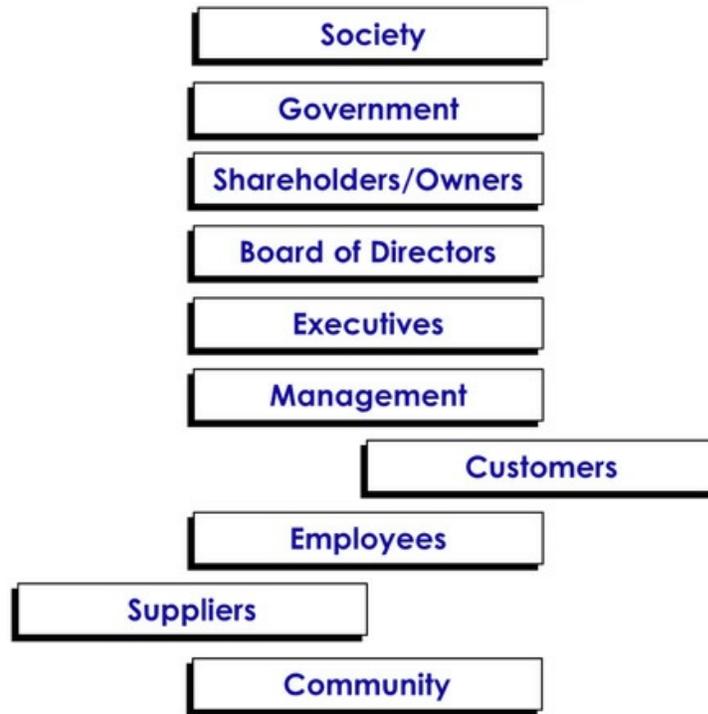
My starter model of Stakeholders will require adaptation for each use. Note that there are many potentially different sub-categories for each and many specific types of organizations and/or people in each of them. The categories are, in alphabetical order:

- Board of Directors
- Community
- Customers
- Employees
- Executive Management
- Government
- Management
- Shareholders/Owners
- Society
- Suppliers

Would you agree each of these Stakeholder categories are stakeholders and they each have requirements (needs) and wishes (wants)? And those needs and wants could be in conflict? How do we then balance the conflicting requirements and determine where tradeoffs can and should be made? How do we evaluate them to determine how to create a win-win solution for everyone? How do we conclude whether a win-win for everyone is actually feasible and not just a "pie in the sky" aspiration caught in the real world of variability?

The first thing to do—in my view—is to view them as a hierarchy. Here is one example in graphic form. Note, your situation might vary—and you will need to adapt rather than adopt this hierarchy.

Stakeholder Hierarchy



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What Do These Stakeholders Require?

Society

Borrowing from the work of Roger Kaufman...as presented in Wikipedia...There will be no losses of life nor elimination or reduction of levels of well-being, survival, self-sufficiency, and quality of life from any source, including:

- War and/or riot and/or terrorism
- Unintended human-caused changes to the environment including permanent destruction of the environment and/or rendering it nonrenewable
- Murder, rape, or crimes of violence, robbery, or destruction to property
- Substance abuse
- Disease
- Pollution
- Starvation and/or malnutrition
- Destructive behavior, including child, partner, spouse, self, elder, and others
- Discrimination based on irrelevant variable including color, race, age, creed, gender, religion, wealth, national origin, or location

Government

They require compliance with laws and regulations. For more specific insights, talk to your executives, the law department, standards groups, and your labor relations organization.

Shareholders/Owners

They typically require growth in the value of their shareholder equity. For more insight, talk to your Board of Directors, public relations, and finance organization.

Boards of Directors

They require progress toward long-term business goals and strategies and short-term business goals and strategies. For more insight, talk to your CEO and functional/unit executives.

Executive Management

They require much the same as the Board of Directors.

Management

They require much the same as the Board of Directors. For more insight, talk to your CEO and functional/unit executives.

Customers

They require products or services meeting their requirements at a cost/value ratio that beats your competition. For more insight, conduct a customer survey and talk to your marketing/sales/service personnel who work closely with customers.

Employees

They require job security, competitive wages and benefits, a safe work environment, and opportunities for personal challenge and growth. For more insight, talk with your labor relations personnel and all levels of employees. Survey attitudes and concerns by holding formal and informal discussions with your employees or conducting employee attitude surveys. Use suggestion programs.

Suppliers

They require continuity of business, an accurately forecasted demand for their products/services, and profitability. For more insight, talk to your suppliers and your materials/purchasing organization personnel.

Community

See the Society requirements, but note there may be specific local community requirements as well.

And Other

You might also have other Stakeholders, such as standards bodies and unions.

Recognizing and Balancing Conflicting Stakeholder Requirements

Given the extent of your potential stakeholders and their requirements there are really three challenges.

1. Identifying specifically who the primary stakeholders are for any given situation.
2. Understanding their specific requirements and priorities.
3. Balancing those requirements that are in conflict.

The multitude of requirements can be simplified and communicated visually, using a matrix format showing the key requirements of each of the primary categories of stakeholder.

An Example Stakeholder Requirements Matrix

To construct your own matrix, use a spreadsheet program which will make it easier to add/delete columns.

