LEAN STAKEHOLDER MANAGEMENT

Barbara Manahan B.A. Mod. Hons., M.B.A.
Partner bei JSC Management- und Technologieberatung AG und
Lehrbeauftrage für International Business Administration

Lean in its purest sense is the elimination of waste as opposed to simply transferring it to other stakeholders

There are few areas of business, if any, in which lean principles have not been applied in some form. While the consistent application of the lean approach has resulted in substantial improvement for organizations, the perspective has been a predominantly introverted one to date – waste is removed from internal processes so as to increase value for the customer on the outside. The result is an optimum business process outcome, but what happens at the point where there is direct contact with the customer or indeed other stakeholders? As Peter Matthijssen[1] rightly claims, value is also created by the customer's experience with the organization. By implication, sub-optimal stakeholder interaction creates waste which the stakeholder may not be prepared to pay for. Thus any additional unplanned effort required of the stakeholder to ensure that the transaction reaches the desired outcome will likely damage the business-stakeholder relationship and with that the future business and the reputation of the organization.

This article explores how stakeholder management can be improved by extending the application of lean principles beyond the borders of internal business processes to the point of interaction with stakeholders such as customers and regulatory authorities. In so doing, three types of waste are distinguished:

Effort waste

This type of waste is caused by avoidable, non-value-adding effort for the stakeholder, the organization or both. Examples on the stakeholder (customer, regulatory authority) side include additional effort required to obtain pertinent information on the product/service or to ensure that the purchased product/service is provided and invoiced as agreed, repetition of information already communicated to the organization, and inacceptable waiting time for responding to queries or providing the ordered product/service. On the organization side, examples include the effort invested in maintaining superfluous data, answering queries triggered by deficient information or the organization and revision of non-compliant submission-relevant documents for regulatory authorities.

Deterrent waste

This is the loss of (potential) custom for a business and occurs when the stakeholder is deterred from entering/-continuing the business relationship due to deficiencies at the direct points of contact to the organization. Examples include unstructured, unclear, obsolete, incorrect or inconsistent marketing information, poor ratings, bad press or negative past experience with the organization.

Punitive waste

This type of waste is caused by non-compliance with regulatory requirements and can lead to warnings, fines and product bans for the organization. Punitive waste can be the cause of effort waste in the form of revising non-compliant submissions to the authorities, and deterrent waste triggered by bad press in connection with the non-compliance.

[1] »BPM and Lean«, 2016, www.bptrends.com.

THE CUSTOMER JOURNEY

Depicting the main points of direct contact with the stakeholder, in the following example the customer, as a journey[2] starting from their becoming aware of the organization through ordering to invoicing the rendered product/service provides a framework in which waste analysis can be conducted, and allows ways to improve the customer relationship become transparent.

Seen from the customer's point of view, the table below illustrates how waste is produced at an exemplary seven of the possible points of contact along a generic customer journey:

- **Awareness** – The point at which the (potential) customer becomes aware of the organization with whom a transaction may be desired
- **Contact** – The point at which the (potential) customer takes up contact with the organization (service/product provider)
- **Offer** – The point at which the organization makes a binding offer to the (potential) customer
- **Negotiation** – The point at which the (potential) customer has received an offer and negotiates a transaction with the organization
- **Order** – The point at which the customer places an order with the organization
- **Delivery** – The point at which the ordered product/service is provided to the customer
- **Invoicing** – The point at which the customer is requested to make payment for the provided product/service

As with customary lean practice, the types of waste on the left of the table are sometimes inter-related and are often merely the symptoms of deep-rooted problems in the organization.

	Awareness	Contact	Offer	Negotiation	Order	Delivery	Invoicing
Effort waste	Unstructured media Superfluous information Obsolete information	Non-intuitive interfaces Poor omni-channel management Parallel mainten-ance of several information sources	Inconsistency between marketing information and actual offer	Poor preparation and/ or follow-up Trying to negotiate topics not on the agenda Lack of awareness of existing/past communication between the customer and organization Staff without discretionary power at negotiation Failure to stop and reschedule if agree-ment is unlikely	Failure to include agreed items/terms in order Failure to confirm the order	Off-schedule delivery Poor quality Unfriendly service	Unclear listing of chargeable services Failure to include existing credits and/or agreed reductions and/or promotions
Deterrent waste	Superfluous information Poor ratings Negative press Past experience	Sales overkill - trying to close the deal prematurely Information is not current Information is not correct Information is ambiguous Failure to respond Inacceptable processing time	Superfluous information Inconsistency between marketing information and actual offer Information is not current Information is not correct	Unrealistic demands Inflexibility Unqualified negotiating team	Addition of extras not included in the negotiation	Providing add-ons or services not included in the order Off-schedule delivery Poor quality Failure to provide the product or service as confirmed Unfriendly service	

Table 1: The stakeholder experience: customer

[2] »BPM and Lean«, 2016, www.bptrends.com.

Taking a closer look at some examples from the customer experience table (1) page 37:

“First impressions, last impressions” is more than just a platitude when the potential customer becomes aware of the organization. In this case, applying the pull method is the condition for providing what the stakeholder expects. Pushing information on the stakeholder that the selling organization may find interesting may not be what the stakeholder wants to see – at least not initially. Customers normally want an immediate overview of product features and price without being bombarded with information about recent industry awards or joint ventures.

Non-intuitive media, web sites for example, where the need for action is missing, can forego the opportunity of winning the potential customer simply because they do not know what to do next e.g. sign up for the e-newsletter, order a product. Here, a detailed analysis of what a stakeholder wants when contacting the business would supply the basis on which to provide a usable website for example.

The failure to optimally manage omni-channel communication means that the organization is unaware of previous contact with the (potential) customer through different modes of communication, i.e. the first mode of contact was via the company website followed by email and then a telephone call. The customer is forced to recount the same query or case several times. Optimum stakeholder management must accommodate omni-channel communication in which stakeholders switch from one form of contact to another with any hitherto transactions and information being coordinated and visible at all times.

Attempts to record the different contact points along the stages of the stakeholder experience are evident in the services industry, for example, the questionnaires issued by hotels, airlines and car rentals upon completion of the individual experience. Whereas this approach to collecting and using customer responses to improve service is commendable, the management thereof is rarely in the context of a cross-functional business process.

THE AUTHORITY JOURNEY

The same principle is applied to the points of direct contact between the organization and regulatory authorities. Here too, cooperation and compliance may be hampered by inadequacies in the interaction of the authority and organizations who otherwise comply with the regulations.

Taking the registration of chemicals by organizations with the European Chemicals Agency (ECHA) as the stakeholder as an example, the table below illustrates the most common errors made by organizations that cause additional effort for the regulatory authority and subsequently for the registering organization itself.[3]

- **Awareness** – The point at which the organization informs themselves that registration with the regulatory authority is required
- **Contact** – The point at which the organization takes up contact with the regulatory authority
- **Registration** – The point at which the organization officially registers with the regulatory authority
- **Submission** – The point at which the organization submits the required information to remain compliant with the relevant prevailing rules or laws
- **Reaction** – The point at which the organization reacts to any follow-up communication from the regulatory authority
- **Reporting** – Maintaining required communication with the regulatory authority including periodic reporting and/or notification of changes to contact information

[3] www.pressebox.de, TÜV Süd AG, »Die 7 häufigsten Fehler bei der Registrierung chemischer Stoffe«, 2013.

	Awareness	Contact	Registration	Submission	Reaction	Reporting
Effort waste	Failure to familiarize organization with regulatory obligations		Failure to observe registration formalities	Submitting more information than required Failure to observe official existing information i.e. official substance use	Failure to monitor ECHA-IT virtual post for feedback and communication	Reporting more information than required
Punitive waste		Failure to pro-actively contact the regulatory authority	Failure to observe existing information, i.e. in the SIEF[4]	Giving guidance texts precedence over legal texts Non-compliance with deadlines	Failure to maintain submission-relevant information	Reporting incorrect information Non-compliance with deadlines Failure to notify changes

Table 2: The stakeholder experience: regulatory authority

[4] Substance Information Exchange Forum

The examples from table (2) indicate that, normally speaking, the framework in which an organization can interact effectively with the regulatory authorities exists. This includes a legal basis, guidance, public information and official communication channels.

Established information available in dedicated forums should not be omitted, recreated or left unobserved. In the example above, the worst case scenario is that the wrong substance or the use thereof is registered.

Failure to maintain contact after submission of compliance-relevant documents with the regulatory authority will also cause increased effort for both the organization and the regulatory authority. Dedicated portals must be monitored and any changes to contact information or submission-relevant information communicated through the formal channels in a timely manner.

THE SMOOTH JOURNEY

Lean in its purest sense is the elimination of waste as opposed to simply transferring it to other stakeholders. The failure to eliminate the waste coupled with the unwillingness, or inability to assume the stakeholder perspective, are the root of increased stakeholder effort and deterioration of hitherto positive stakeholder experience. The result may well be that what has been appraised as optimum waste-reduction has provoked a deterioration in stakeholder relationships and is putting the business at risk.

What is required here is the transfer of the tried and tested application of lean principles used inside the business processes to all of the interfaces where there is direct contact between the stakeholder and the organization. In the same way that business processes are depicted to traverse the established silo-based departments in organizations, the stakeholder experience must be planned, monitored, managed and optimized as a seamless, cross-functional flow that connects all points of direct contact with the customer. This means either extending the customary process analysis to include the final step of interacting with the customer or the introduction of a horizontal stakeholder experience process to depict, analyze and improve the stakeholder experience and thus the business.

Besides defining indicators with which to evaluate and improve performance in the stakeholder experience, mechanisms must be put in place to ensure the consistency of the positively perceived experience. Put into perspective, this means that a lack of consistency or any unplanned or unannounced change to a hitherto positive stakeholder experience may well be perceived by them as a quality issue. In addition to knowing who the stakeholders and what the mutual expectations are, this includes the indicators used to determine how virtual and tangible interactions are evaluated.

A further point is that contact between a stakeholder and the organization is not necessarily dynamically bidirectional. The initial awareness of a stakeholder with the organization may be via poor ratings, negative press or past experience with associated companies or persons holding senior positions. There should be mechanisms in place to monitor influencing initial awareness factors but also a strategy to win back potential stakeholders who have been lost for this reason.

In conclusion, the measures required to attain an optimum stakeholder relationship can range from the integration of an additional step to an existing stakeholder interface process to the complete reorganization of the channels used to supply information and services to customers.