

Expect, Inspect, Accept.

Managing Expectations. Know what you want, measure it, accept it.

by Josh Patrick, CFP®



Over twenty years ago I heard for the first time the phrase *expect, inspect, accept.*¹ I learned through this simple statement a very powerful method of setting standards, measuring those standards and then either being happy with the results or having to set new standards.

Over the years many people have spent a great deal of time introducing several concepts of budgeting. After all the years that I've been working either with my own business or on other businesses I still like the very simple methodology of setting expectations, measuring those expectations and then moving on to the next project or corrections on my present project.

The purpose of this article is to give you some simple methods for making sure you and your company are moving towards outcomes that are appropriate for you. It's important to remember that the simple act of measurement will start you on the road of improved operations and profits.

Setting Expectations, the first step

George Michaels had routes that would produce between \$5,000 and \$10,000 in sales. He kept looking at how to move the lower routes to higher levels of productivity. However, every time he tried to get his management team to step up and manage this project they had reasons for why it was not possible to get productivity from the lower producing routes.

George forgot the first method of setting expectations. That is having an understanding of what your expectations are. George was not specific and clear with his managers about what he was actually measuring or why he was unhappy with his productivity numbers.

For example, if George instead set standards for what inventory levels should have been for each of his machines and then managed at what percent of sales levels they should have been refilled, he might have seen that in fact his \$10,000 route could have had a 30% increase in productivity while his \$5,000 route could only have a 15% increase in productivity.

The first step George should have done is set standards for how long it takes to service each type of machine on his routes. He then would want to set inventory level expectations for how much merchandise he expected to have in each machine and finally calculated travel time between locations his route drivers were servicing.

In our example above, George found that he only had inventory levels in his snack machines of 70% of the machines total capacity. He also found that his route drivers on the \$10,000 routes were filling soda machines at a sell rate of \$60.00 per service stop. This meant they were filling machines when 25% of the inventory was sold. He thought that canned soda machines could easily move to a 60% sell through before needing more merchandise.

On the other hand, his \$5,000 route had many stops that required fresh food and fresh pastry fills. The service time for these machines had more to do with code dates on perishable food items that it did with the amount of inventory in the machine. However, had George thought about whether the locations the \$5,000 route was servicing should have fresh commissary prepared items or frozen items, he might have come up with different answers to his quandary of how to improve the productivity on his routes.

The key with setting proper expectations is to ask the correct question in the first place. You also may want have the discipline to not stop at the first question but to always ask three to five sub-questions after your first question about what you expect. When asking more than one question on a topic will help you get the true and core issue you are trying to solve. Asking at least five questions on a topic will often help you get better answers which can give you more value in your planning process.

You will also want to remember that often the expectation setting part of a planning and measurement process is always the most difficult. If we don't take an appropriate amount of time to make sure our expectations are correct, we will measure the wrong number and not get the results we want.

Step Number Two, Inspect your Expectations

Michael and his team finally got around to setting expectations that everyone agreed was reasonable. The main problem he found was that his managers were not following through on checking his routes and his route drivers seemed to not care at all about the service standards for productivity that were established. Michael also was not the best at following through on standards himself. In fact, he would sometimes go weeks without mentioning the measurement systems his company had established.

Operating standards are useless unless someone is looking at the results of your expectations on a regular basis. In this particular case Michael needed to set up methods where follow up would happen and the follow-up methodology was something he and his managers were willing to work within.

In our example Michael was not diligent in asking his managers to follow up on standards and the managers and route drivers had no incentives or disincentives to make sure they were inspecting their results. So, we need to have some strategies in place to make sure we are measuring the results we get from the expectations we set.

There are several ways of helping your team measure expectations. My favorite is tying your compensation system to your expectations. This will encourage your line people as well as their supervisors to regularly follow the measurement systems you've established. Also, since pay rates are tied to performance standards, someone has to put together performance reports and look at them for your people to get paid. This will force someone in your organization to look at your key numbers.

Again, this will force you to think through your expectations thoroughly before starting on a program. It's important to let your people know that as you develop compensation systems that are based on productivity measurements there will be changes to those pay systems along the way. I've rarely seen an expectation setting and measurement process that works well from the beginning. You will need to make adjustments and it's important to set the stage for those adjustments before you start on a new program of budgeting and inspecting.

The other method for checking on measurement systems is the use of a regular staff meeting where your expectation measurements are shared and discussed as to ways of improving or changes that need to be made. For managers that aren't very good at following through, regular staff meetings are often a painless way to make sure that follow through happens.

If you decide to go down the path of using regular staff meetings you will want to make sure the meetings happen on a regular basis and that all people needed at the meetings are in attendance. If properly run, these meetings can be a great way of making sure that your expectations are reasonable and there is regular progress towards meeting the goals you've set. As with setting compensation and pay systems, you will need to experiment with different meeting formats and agenda's to find the one that works well for your company.

If there has been little or no progress on your expectations, you will often want to take a step back to re-look at your goals to make sure they reasonable and obtainable. In my opinion one of the most demotivating actions that managers can take is to set standards that are not obtainable. When impossible standards are set, you will often see people just give up and your general overall performance will become worse than where you started your measurement process.

Acceptance, the final step

Michael's route drivers did increase the levels of productivity. He started measuring his routes by how many machines could be serviced and he had his managers control inventory levels. The company also set standards for how much inventory should be sold before the machines were opened for service. Now that Michael had achieved this goal, he didn't know what he needed to do next.

Michael is facing the problem that all managers face when a project is completed successfully. That is saying good job and moving on to a new project that also has a relative high value for the company.

As you can probably surmise, the expect, inspect, accept method of budgeting and quality control management is a continuous circle. You must let your people know when the job is done well. At the same time, it's important to start looking for your next project when you are close to accepting the project you are presently working on.

You also want to always have a group of projects that your company can work on at the same time. However, it's important to only try to take on no more than one to three projects at the same time. This way, you are able to provide an appropriate amount of attention to the project in front of you. I see more failure in successful improvement programs with companies because the senior managers are trying to accomplish too many things at one time. For this reason, you want to make sure you are taking the low hanging fruit first. In other words, find the project that has the highest payoff and the easiest to accomplish.

Moving on to a new project is your signal that you have accepted the project that you and your team had been working on. It's important to also communicate this acceptance to the rest of your team so they know they have achieved the expectations you've set with them. The more public you can make the project acceptance, the better it is for company morale.

I often see company burnout occur when projects are never completed. You may want to continually improve all parts of your business all of the time. However, I find that this sort of unrelenting pressure only helps your people either become frustrated or just stop trying. Even professional athletes have an off season. It's important for your people to also have an off season as it relates to constant improvements. This does not mean you let your accomplishments slide, it just means you might want to take a little rest between major projects.

Conclusion

When your company works in a cycle of expect, inspect and accept your company moves in a regular cycle of never ending improvement. Remember the true value will come from choosing the correct issue to work on and then going at least three to five questions deep on that particular issue. This will help you gain clarity about what you want to accomplish.

Once you have clarity about what you want to accomplish, you can then communicate that information in an understandable method to your other managers and start on the road for successful project completion.

When measuring your progress use the progress as feedback on your assumptions. If you are not getting the results you want, you will need to check your assumptions. They just might not be correct.

Finally, remember to take time to celebrate your accomplishments. When a job is done well, let everyone involved take credit and feel good about what they've done. This will provide company wide energy for your next project.

(Footnote)

¹ Thanks to J. Shields Harvey for first introducing the concept of expect, inspect, accept to me at one of the first NAMA financial controls seminars.



For More information contact Josh Patrick
at 802-846-1264 or email to: Jpatrick@patrickgroup.com

The
PatrickGroup

Copyright ©2003 The Patrick Group, Inc.

20 Kimball Avenue - Suite 201 - South Burlington, VT 05403