

# **Project Management: Planning, Execution, Evaluation and Control**

**Dr. Sanjib Chowdhury**

**Vinod Gupta School of Management**

**IIT Kharagpur**

**Week- 7**

**Lecture- 34**

Welcome to the course Project Management Planning. I am Professor Sanjeev Choudhury from Indian Institute of Technology Kharagpur. In continuation with the module Outsourcing and Managing Inter-Organizational Relations, in the last lecture we will be talking about customer satisfaction and managing customer relations for project management. The concepts that will be covered in this lecture are how to manage customer relations, what customer satisfaction is, and how to improve customer satisfaction. We will be discussing these aspects in detail.

To elaborate on customer satisfaction, for a project, we have seen that if the emphasis is on project completion - that the project is completed within the stipulated time schedule, within the budget, and with the specifications that have been given by the client - then if all these are met, the project is called successfully completed. It is a successful project, but that is not enough. Even if you have done the project within time, within the budget, and with the specifications given to you, the customer may still be dissatisfied.

The bottom line is customer satisfaction. What makes for customer satisfaction? We will be discussing that. First, we will say what the effect of a dissatisfied customer is. The negative effect of a dissatisfied customer is far greater than the positive effect of a satisfied customer. If a satisfied customer generally tells one person about his or her experience with the project, product, or service, a dissatisfied customer will tell it to 8 to 10 times more people. Bad news moves faster and further, so you have to contain that. The basic thing is how to satisfy your customer. This is the essence.

Every customer has a unique set of performance expectations and performance perceptions. What does this mean? Every customer is different and they have different expectations and perceptions of performance.

So, what is satisfaction? How do you measure satisfaction? There are many methods of measuring satisfaction. The most common answer I get when I ask students is "by

survey" - customer surveys generally measure customer satisfaction levels. However, customer satisfaction is a complex issue. It cannot be measured that easily.

One of the best ways that is followed for measuring customer satisfaction, which is widely used and accepted, is the perceptual relationship. Actually, satisfaction is more about perception. What is this perceptual relationship? It states that satisfaction is a ratio between perceived performance and expected performance.

Expected performance is formed for a customer by word of mouth - from friends, relatives, close relatives, etc. That is one way of forming expectations. Expectations are also formed through advertisements, media, and communication. There are many channels, such as electronic media and print media.

Perception is formed after you get the service and experience it. What are your perceptions about the service? Satisfaction is a ratio between perceived performance and expected performance. Now, what is the role of the manager? The project manager must be skilled at managing both the expectations and perceptions of the client. I can say the project manager must be skilled at managing the client's expectation and perception. As I mentioned, every customer has a unique set of performance expectations and performance perceptions.

This is customer satisfaction. There is a met expectation model of customer satisfaction. This met expectation model says that satisfaction is the ratio between perceived performance and expected performance. As I told you already, expected performance is formed through word of mouth, advertisements, media, and all those things. Perceived performance is formed once you avail the services, whether it has met expectations or not.

Now, if the ratio is 0.9, is the customer satisfied, dissatisfied, or over-satisfied? And if it is more than 1, then what is it? What should be the actual desired ratio? You have to find out.

If the ratio is 0.9, perceived performance is less than your expectation. The customer is actually dissatisfied when it is less than 1. The met expectation model says when the ratio is less than 1, the customer is dissatisfied. When it is equal to 1, the customer is satisfied. When it is more than 1, the customer is over-satisfied.

This is the met expectation model of customer satisfaction. If the ratio is even higher, the customer will be delighted. So, what should the ratio be that one should follow? Because if you increase this ratio, like to 1.5, that means your performance is much higher. To do that, what happens? You have to put in additional resources and incur more cost, then only you can get it.

Suppose you promised the completion of the project in 12 months. If you wanted to reduce it to 10 months or 9 months, then your satisfaction level will increase because your perceived performance is much higher. But to reduce it to 10 months or 9 months, you will require additional resources in the form of manpower, equipment, machinery, and also overtime. That means it eats up your profit. Your project may not be profitable from the contractor's point of view. It should not be high either. Therefore, it is recommended that your satisfaction ratio should be marginally higher than 1, around 1.05 and not 1.5. At 1.05, you can marginally bear that cost and customers will also be over-satisfied or delighted. But at 1.5, you will be incurring so much cost that the project may not be profitable to you.

This is the met expectations model of customer satisfaction. Now, managing customers - as I told you, the project manager should have the skill of managing both customer expectations and perceptions. I will be discussing next how to manage customer expectations.

One thing is: do not oversell the project, product, or your services. When you oversell, what happens? The expectations of the customers or clients go high. Usually the tendency, especially in competitive bidding, is for the marketing departments and other people to have a tendency to oversell the project - to say the benefits are more, cost will be less, all that sort of thing. But when you do that, the expectations of the client also go high.

Say if your estimates show the project takes 10 months, you should not oversell. You should undersell it. Tell the customer it will take 12 to 14 months. Then when you deliver it in 10 months, they will be over-satisfied or delighted. It's better to undersell and not oversell. Another thing is you must have a well-defined scope, deliverables, limits, and exclusions. It should all be well-defined so that there is no ambiguity in the expectations. If there is fuzziness, different parties will have different expectations - the customer's

expectations will be something, the contractor's expectation will be something else. It will always be a grey area. Therefore, your scope of work, services, deliverables - everything should be tangible, measurable, specific and well-defined with no scope for interpretation.

Then share problems and risks. The project team and project manager should always share the problems and risks associated with the project as the project moves along. You should always communicate the progress of the project. So that stakeholders and customers are not caught by surprise.

If they are not aware of the progress and what problems are arising, when you tell them all of a sudden, they will not be prepared to accept that or they may have to adjust their plans. If you inform them early, they can always make adjustments to their plans. Communicate progress at each and every stage continuously. Handle customer relations in a professional, expeditious and competent manner. You should not neglect, delay or deal in an unprofessional way - that will be harmful and customers may not come back to you again.

The keywords are: handle customers relations sensitively, competently, expeditiously, and to the satisfaction of the customers. Involve customers early for any changes in the scope or the development of the project, because customers can also change their plans as they are bound by their own plans. Do not surprise them. Gone are the days when the contractor takes the order from the customers and then returns the final deliverable after completion. At every stage you have to consult the customers and it is better if you keep the customers in your project teams also. So that they can be aware of the daily and continuous progress and changes taking place. The team members can inform the client side.

Lastly, nothing is more dangerous or harmful than if the project team members speak in different voices and give different messages to the clients. That is very confusing and erodes confidence in the contractor's team. Project managers must tell their team members that they should talk with one voice. There should not be two messages or different messages. The messages should be clear, consistent and unambiguous. Finally, speak in the customer's language. There is a tendency for some people to express themselves in technical jargon and verbose terms which customers may not be acquainted

with. You should talk in the language of the customers so that customers can understand at their level and you and your customer are on the same page with the same level of understanding. Then the confusions will be over.

These are a few important points on how to manage the expectations of your customer. These will increase the satisfaction level of your customers. Now, if you have done your project within the time, as I told you earlier, and within the budget with the specifications, even then the customer may be dissatisfied because he or she thinks that you have done poor quality or shoddy work. But even if your projects are late, behind schedule, over cost and not achieving the specifications, customers may be satisfied because he or she may think you have done it under adverse conditions and you have safeguarded his or her interest.

Satisfaction is the bottom line and it matters. These are the ways you can handle customer relationships. To summarize what we have discussed in this lecture: We have deliberated the importance of managing customer relations and how to measure customer satisfaction using the met expectations model of customer satisfaction. We emphasized the role of the project manager in managing customer expectations and dealing with dissatisfied customers.

These are the reference books you may consult to enrich yourself further in outsourcing and managing inter-organizational relationships. Thank you very much for attending today's lecture.