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Aligning with Values to Do The Right Thing and Impact Client Relations Case Study (2021-01)

Many thanks to Jeff Foley, Brigadier General, US Army (retired) for authoring this case study. Jeff's leadership and commitment to values both in the United States Army and today as a Leadership Coach and Consultant continues to inspire his clients and the Integrity Consulting Team.

A large heavy construction equipment rental company in Canada had been operating successfully for fifteen years. The company had 500 employees with multiple equipment rental offices across western Canada. They were performing well on all fronts with a strategy to grow significantly in the coming years. Continuing to be successful was becoming tougher with the larger number of companies competing for the same projects each year. There was always competition and often several companies would be awarded contracts for the same project. Often times, some of the heavy equipment would not get returned immediately to the rental company location which would then necessitate an additional invoice to be paid to purchase new equipment to replace what was not returned.

The CEO had been in the position for fifteen years. He became concerned about the culture of his company and did not want his people to lose sight of who they were. He hired us, Integrity Consulting, to help them define their culture. Over the next six months, we helped them define their vision, mission and core values as the foundation for their culture. Included in the values clarification was a comprehensive set of behaviors associated with each. We then instituted a values-based decision making methodology that helped everyone from the senior leadership team down to the first line supervisors on how to use the vision, mission, and values to make good decisions on a daily basis.

On this one occasion, the company had been awarded a large rental contract on a construction project. They were not the only provider of rental equipment, but they were a significant provider on site. Everything on the project had gone well.

At the end of the project most of the equipment was returned to their shop but not all. It was not out of the ordinary that a number of pieces were missing totalling 10's of thousands of dollars. As per their rental agreement they tallied up the new cost of the missing equipment and added it to the invoice, which their client paid.

Then a few months later, the missing equipment started showing up back at their shop. This was normal as other contractors or other rental companies often mistakenly or inadvertently claimed it as their own during the decommissioning of the large project. However, the rental industry standard is to not inform the client who had paid for the "missing" equipment once it had been returned. That was a conflict now in the mind of the local store manager which served this rental contract. It totally contradicted his understanding of the company's new values and the training course on values he had taken. What should he do? If he kept the returned equipment AND the money already received to replace it, that would be a clear violation of his and the company values. If he chose to return the money received back to the client, he would upset the "norm" for his industry and possibly risk retribution from his competition. He would also reduce the project profit margin and force any commissioned employees to have commissions recalculated.

Four months after completion of the Values-Based Decision Making training the local store manager and his CEO contacted us to explain the crisis and the "normal standard" for keeping the money paid by clients even after the equipment was returned. We reviewed the 6 step process and encouraged them both to apply this methodology to this situation. They did. Here are their results.

The Application of the Six-Step Process:

1. Have I taken the time to stop and think? The local store manager clearly stopped and thought about this crisis and the need to make a decision. He initially weighed the 2 options against his values which was the first flag that something was wrong with the "norm".

2. What are the short and long term goals? Are we sacrificing long for short? The goals of the company were to continue to grow, preferably without sacrificing revenue in the short term. The long term goal of establishing a culture of integrity was also new and important to the local store manager and the CEO. Clearly however, the industry norm from a supplier perspective was to risk long term reputation and trust to ensure short term financial gain.

3. What are the facts?

   a. The industry had been following this deceitful practice for years. Possibly the clients knew about it, possibly they did not.
   b. Commissions had been paid out to the sales team for this project, based upon the invoice containing the cost of the missing equipment.
   c. Company margins were healthy. The refund would not have a lasting impact, but the company could face retribution from competitors who would look foolish if the company offered a refund and the word spread.
   d. The values in conflict here are really Integrity, Relationships and Success. The success value measurement is short term. However, long term relationships in the industry could be damaged if a refund is issued. It would cause other clients to wonder what was going on after missing equipment had been paid for. The company's priorities of values were: Integrity, Relationships, Success. Clearly we have to stand by integrity on this one.
   e. It is unknown at this point how the customer would respond to us being honest about his. They could ask us to go back and audit all our work over the years working with them and refund any equipment returned.

4. What are decision options and which one(s) are best? Is there a trilemma option?

   a. Option 1: Do nothing. Start changing things on the next project. (which honours our success value)
   b. Option 2: Offer the client a credit on the next job (the supports our integrity value, but leaves a lot of unanswered questions which would eventually effect our relationship value
   c. Option 3: Give the client a refund, but hand deliver the cheque to the project manager and let him know why we are refunding the money. This allows us to leverage Integrity and Relationships with Success yet to be determined. This is the trilemma option that meets all values.

5. Does our decision pass our ethical decision filters?

   a. Our corporate core values? Yes or No
      1. Option 1 fails against our integrity value (WE ELIMINATED THIS OPTION AT THIS STEP)

2. Option 2 fails against our integrity and relationship values. Why would we keep the money and offer a credit if the money is not ours . Its like holding our customer hostage for the next job. (WE ELIMINATED THIS OPTION AT THIS STEP)
3. Option 3 passes

b. Ethics check questions. Does it pass
   a. The Compliance filter Yes or No: Our client and our parent company are both public companies. Any future audits could conclude with a fraud charge, although the probability was low.
   2. The Ripple Effect filter Yes or No: The 2 big parties in the ripple effect are the customer who has paid too much for the job and the sales people who will lose their commission earned possibly
   3. The Golden Rule filter Yes or No: The Local Store manager stated from the beginning "if I were the customer I would want a refund. "
   4. The Gut Check filter Yes or No:
      a. Personal Core Values. Option 3 passed all personal core values for both the local store manager and the CEO
      b. Would I want my decision published? Both said they would be happy to have their decision published

6. How are we prepared to monitor and modify our decision?

If option 3 were enacted, they stated the local store manager would hand deliver the check to the project manager. This way he could gauge the response personally and answer any questions. He also stated he would do a follow up sales call to check how the relationship was after the refund was delivered.

There were those in the company who had been so accustomed to the "industry norm" of not refunding the money spent on returned equipment, they had difficulty agreeing with this decision. They saw the annual revenue of the company dropping significantly. Although he did not communicate the dilemma or his plan to his competitors, some of whom were close friends, the CEO did feel that relationships would be damaged in the short term if he approved a refund. He was potentially going to lose some of his own team members as well as friends and colleagues in the business.

The Epilogue

Based on the Local store manager and the CEO's engagement with the Six-Step Decision Making Process, they realized that not refunding the client was a violation of the company's newly defined values. Together both had made the decision to refund the money received for the returned equipment. The CEO decided not to have the sales team return commissions earned on the inflated profit, but was clear about how returns would be handled in the future. In fact he changed policy to state that commission would not be earned on lost equipment billed for. Now the challenge was determining exactly how he was going to execute on the rebate. It was really the local store manager who came up with the idea. Instead of simply sending the client a rebate check, the rental office manager got in his truck and drove 7 hours, 1 way to meet his client, the project construction manager. He delivered the check with an explanation of what he was doing and why. He shared with the client his recent adoption of core values and this was clearly the right thing to do based on those values. He even left his customer a copy of their values card with the 6-Step decision making process on it.

As more equipment slowly trickled in over the next few months, each time the rental store manager would hand deliver a rebate cheque to his client. After two months the last cheque was hand delivered, representing a 90% refund on the "missing" equipment invoice.

Shortly after this set of cheques were returned to the client, the CEO of the rental company was contacted by the President of the construction company who had rented his equipment. He was asked if he and the local store manager could meet in the main construction company office in Calgary, Alberta. The Rental company President along with his local Store Manager went to the meeting. The construction supervisor who received the rebate cheques was also there. They were told by the Construction Company CEO how impressed he was with their honesty. For that reason, he stated that he wanted to award a 5 year exclusive rental agreement contract to my customer. His words: "Finally a contractor we can trust."