



STRATEGIC MANAGEMENT

STRATEGIC PLANNING AND IMPLEMENTATION

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JHT2: Task 3

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DOMINANT ECONOMIC FEATURE

Market Size/Growth Rate

Jim's Automotive is based in a rapidly growing agricultural area of Smalltown, USA. Population in the market area has increased an average 2.3 percent in the past two years to total almost 23,000 in 2014. The market is entering a phase of emergence where new people and businesses are entering the market to stay.

As the population has grown, large companies such as BigAuto have come to the area. With BigAuto and others came more population growth, so the area has seen steady growth for the past 5 years. In 2010, 21 automotive repair facilities were in operation in Smalltown County. The arrival of BigAuto has driven down prices and cut into net profit for many of these small repair facilities, eventually putting many of them out of business. By 2014, only 14 of them remain. Jim's has survived the changing market thus far and managed to capitalize on some of the population growth.

Although market volume has decreased with the disappearance of establishments, small business lost 8 percent of market share on average from 2010-2013. Total market share has continued to increase, but small businesses are quickly getting smaller and smaller pieces of the figurative pie. Competition amongst small businesses has become fierce as they grapple with each other and large business to stay afloat.

Driving Force

Economic downturn has created a change in who buys products and for what reason. Discount retailers such as BigAuto thrive on times of economic trouble, as consumers become

price conscious and want the lowest possible price for goods and services. Consumers go for whatever is cheapest.

The increase in market area population has caused an increase in demand, but economic struggle in the Smalltown area has many consumers turning to BigAuto. Related industries are also expanding in the Smalltown area. Several trucking companies have moved in over the past 5 years, contributing to greater demand for auto repair services in the local area.

At first glance, it would seem that competition should decrease with fewer businesses in the area. However, with the decline of market share for small businesses, competition has increased. Market volume by employment class dropped 10 percent for companies employing 1-24 people and increased 10 percent for companies employing 100+ people. This obvious correlation indicates how big business has grown in Smalltown, directly affecting Jim's and other businesses like it. This has created a need for more advertising and more fierce competition in the automotive repair market in Smalltown.

Companies like BigAuto have recognized the overall profitability and potential in the Smalltown area. Industry profitability continues to increase as market population increases, as well as demand. Jim's needs to come up with a plan to compete with its small business counterparts and big business to realize the profitability potential in Smalltown.

Planning for Competitive Force

Jim's has been stuck in a rut for several years, operating generally the same way it has been since its beginnings. Profit margins have been analyzed and efforts have been made to improve overall business profitability through that avenue. However, increasing margins without

making other needed changes to meet the demands of a financially strapped market has business at Jim's decreasing.

To plan for the change in consumer perspective in economic downturn, Jim's needs to increase its focus in the following areas: Marketing, Inventory Cost, and Promotions. Marketing efforts should increase with specific focus on new move-ins. Increasing awareness of Jim's is the first step to capturing the growing portion of the market. Because of cost awareness of consumers, Jim's also needs to focus on inventory costs. Analysis of Jim's holding costs for inventory shows that tires are being ordered too often and they sit too long in storage. By decreasing frequency of ordering and holding time, Jim's can decrease inventory costs, which will allow the company to offer more competitive pricing to a cost-focused consumer base. Saving on inventory costs will also allow Jim's to offer more promotions and discounts to a market that is constantly looking for the best deal.

Competitive Characteristics of Industry

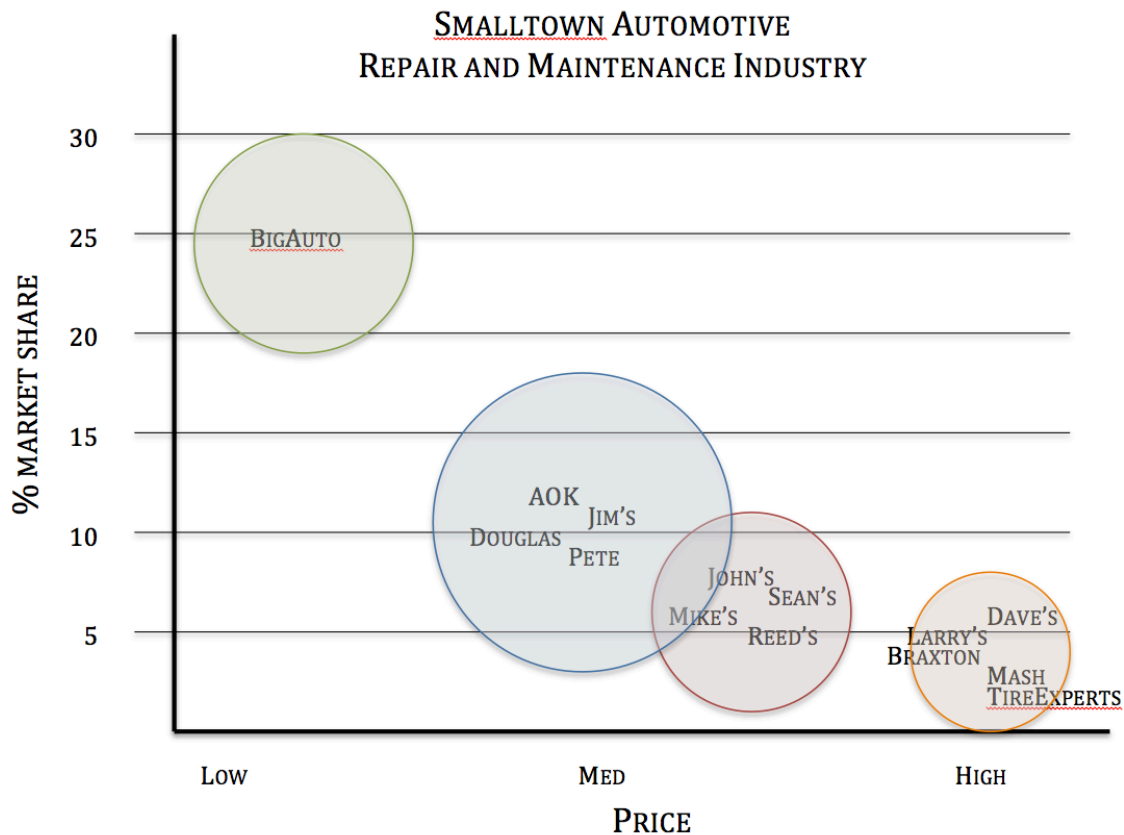
Price

In a market where consumers are highly cost driven, price becomes a crucial part of competition. Consumers in Smalltown have felt the pangs of economic downturn and are constantly looking for the best deal. To compete in the automotive repair industry in Smalltown, it is crucial for retailers to find ways to drive prices down to attract the attention of the market. The affluent in Smalltown are few, so the market for higher-quality, high-priced goods is small. Mid-grade quality and low prices are what sell and capture the largest part of Smalltown's market.

% of Market Share

Market volume has decreased as small businesses go under in Smalltown. Regardless of decreased volume, Jim's and other small businesses lost 8 percent of market share yearly on average from 2010-2013. Population increase has increased total market share, making it very possible for businesses within Jim's market to continue turning considerable profit, but competition is fierce between businesses trying to survive economic downturn and the arrival of corporations such as BigAuto. As one of the larger small businesses in the Smalltown automotive repair industry, Jim's holds approximately 10 percent of total market share.

Strategic Group Map



Jim's is sitting in the area of the map that holds the largest percentage of market share. The four businesses combined equal 38 percent. However, with such a large part of the market going for the discounts offered by BigAuto, it is clear that Jim's needs to decrease prices in effort to capture a greater percent of market share.

Key Factors

Service Capabilities

Jim's lube service is currently not up to speed, literally, with industry standards. High wait times have Jim's quick lube not being quick at all. In a society that is constantly on the go, higher-than-average wait times are unacceptable. Jim's can improve procedures in its lube service bay to offer more basic services, decrease wait times and increase customer satisfaction, thus becoming more competitive in the Smalltown market.

Another area that Jim's can make greater effort to capitalize on is the arrival of trucking companies in the area. The current capabilities of Jim's facility limit the company in what services it can offer for large trucks. Jim's has property available onsite where concrete pads and equipment could be installed to increase the company's capacity in this way. By making more services available and marketing to the growing market of truck companies requiring services, Jim's enters a portion of the market that BigAuto and many other, smaller businesses in Smalltown cannot. This will give Jim's a long-term opportunity and benefit above the capabilities of competitors.

Location

For the areas in which the population and businesses are expanding, Jim's location is not the best. Most business is expanding to the south central area of Smalltown and Jim's is located

in the west central area. Many new housing developments are being built in the north east area, and shopping centers south of town direct traffic in such a way that much of the potential market has to go out of the way to reach Jim's facility.

Because Jim's still holds a decent percent of market share, the business is enough in demand that its main location is profitable for now. Jim's is also located near one of two Smalltown interstate exits, which draws out-of-town business. However, to capitalize more fully on the growing population, Jim's should consider a secondary, quick-lube location in one of two places: east central or south central. This more convenient location makes it possible to draw business for basic services and recommend more in-depth services at Jim's main store through courtesy checks.

Competitive Forces

Rivalry

One of the biggest impacts on the local market is BigAuto's exploitation of suppliers. Because of the size of BigAuto as a retailer, the company buys large quantities and has much greater buying power than the small businesses which surround it. This results in BigAuto being able to buy at much lower costs, enabling the company to sell product for lower price for the same profit or the same price as competitors for greater profit.

Jim's has the advantage of owning its property. As a result, the fixed cost of rent or a lease is eliminated. Overall cost is lower, which enables Jim's to sell product for a lower price than competitors while still turning a profit for the company. This impacts rivalry by driving prices down in the local market.

New Entrants

New entrants into a local market dilute market share by making more goods and services available to consumers. They also intensify demand for resources, which can drive up prices on the distributor level or make goods, machinery, etc. unavailable with too much demand.

The assets required to enter the market of automotive repair in Smalltown are many. For example: a building, hydraulic lifts, tire installation and removal machines, lube pit and equipment, etc. Though businesses can enter the market, they are unable to acquire the assets necessary to turn a high volume to justify low costs.

Substitute Products

Substitute products impact competition by redistributing buyers to related areas in the industry. For example, Jim's sells new semi tires, but AOK Auto across town has the capability of retreading used tires. Because semi tires need to be replaced often, the cost associated with their replacement can be an extremely high liability for trucking companies. The lower cost and high reliability of retreads makes them a viable replacement for new semi tires. Retreads take business away from new tires sales in the industry.

Supplier Bargaining Power

In the Smalltown area, distributors within a reasonable delivery area are few. Competition amongst only two large distributors makes it possible for these distributors to charge higher prices for goods. These suppliers are aware that Smalltown automotive businesses would have to pay high shipping costs in order to get their goods elsewhere, which gives suppliers power to charge more without fear of losing business. These higher prices impact the competition in the industry by driving up prices for customers because cost for businesses is high.

Buyer Bargaining Power

Buyers in Smalltown are currently faced by economic downturn. Farmers and ranchers, who are the heart of Smalltown's economy, have been hit especially hard in the past three years. Jim's makes a large percentage of its company profits off of these agricultural customers. Large orders of pivot tires and other agricultural repair needs drive much of the business at Jim's. Because farmers and ranchers have been hit by the economy, they are consistently looking for the lowest prices possible for equipment repairs and maintenance. With the exception of BigAuto, which offers only passenger car and light truck services, other automotive businesses in the Smalltown area offer many of the same goods and services that Jim's does in relation to agricultural needs. As a result, Jim's has often been faced with a choice between two options: 1. Keep markup percentages the same and lose business or 2. Lower markup to offer a more competitive price to agricultural customers and make the sale. Obviously, making a sale at a lower percentage is better than no sale at all, so Jim's has begun catering to these customers by lowering prices. The buyer power of these agricultural customers is high, as they command much of the business in the Smalltown area. Automotive repair and maintenance businesses must compete for the sales that this large percentage of Smalltown's demographic provides.

Vision Statement

Jim's Automotive strives to offer our community the best possible automotive repair and maintenance service at fair market price. We believe in doing what it takes to serve individuals, which means looking to our community to identify and meet needs by improving practices. We refuse to settle for sticking to the status quo and consistently look for ways to improve customer relations, offer better pricing, and expand our services. Our responsibility is to continually

improve all aspects of our business to care for our employees, our customers, our community and our environment, making life in Smalltown better tomorrow than it is today.

Mission Statement

Our mission is to provide quality automotive repair products and excellent services to Smalltown, USA at fair market prices. At Jim's Automotive, customers and their needs come first and we strive to exceed their expectations in service, quality, and professionalism.

We believe in providing the products and services to meet the needs of customers and community. We're Smalltown's one-stop shop for lube service, general automotive repairs, tire installation, brakes, alignment, exhaust, and front end work for cars, trucks, semis, and agricultural equipment.

Distinctive Competency

Jim's network is extensive and is the company's most valuable resource. In the agriculturally-driven area of Smalltown, customers are often farmers or ranchers looking for a used oddball-size tire or part for equipment. These used tires and parts are often very difficult to find and new merchandise is easily three-four times more expensive for the customer. Because Smalltown has fallen on tough times, these agricultural customers generally can't afford new merchandise and making sales depends on the ability to find used tires and parts.

What sets Jim's apart in Smalltown is that the owners and manager, over the past 25 years, have cultivated the ability to quickly tap into the company's network and find needed items for customers within hours. This quick turnaround time is crucial for customers whose livelihood depends on having equipment up and running to plant and harvest crops or care for

livestock. Many of the other businesses offering repair goods and services to agricultural customers have been in the area for much less time. Their lack of extensive network makes it nearly impossible to find necessary tires and parts for agricultural customers in the time that Jim's does. Jim's ability to quickly find good quality, used tires and parts to meet the agricultural needs of the area gives it a distinctive edge above its competitors.

Market Opportunity

As the Smalltown community grows, more and more individuals and families are moving to the area for work. The lack of public transport in the rural area means that each of these individuals and families has at least one vehicle. Every car will eventually need tires, oil changes, transmission services, brakes, exhaust work, etc. Jim's has products that every new move in will need. The company needs to take advantage of this opportunity by marketing to new move ins and offering promotions geared toward young professionals and families.

Trucking companies have also moved into the area, opening up great opportunity to expand into a slightly different part of the automotive repair market. Most of the repair and maintenance shops in Smalltown don't have the space or capability to handle semis, but Jim's has unused land and qualified service people who can fill the need. By developing a semi truck pad and advertising heavily to arriving truck companies, Jim's can catch a niche in the market that is untapped by others in the industry.

External Threat

Many automobiles are coming off the line at manufacturers more computerized and less mechanical. It used to be that a mechanic could take a vehicle apart, piece by piece, and locate

issues to fix problems. The computer systems in more modern vehicles are often complex and delicate. These systems cannot be treated the same way with traditional piece-by-piece disassembly and diagnostics. Classically trained mechanics at Jim's are often unfamiliar with these computer systems and are unable to correctly diagnose or repair problems. For some issues, Jim's has to send customers to dealerships or other repair shops to have their needs met.

To address this threat, Jim's has two options: 1. Train current mechanics in computer systems and have them gain expertise and certification in this discipline or 2. Hire at least one mechanic who is already a certified expert in dealing with modern vehicle computer systems.

Business-Level Financial Objective

The financial objective for Jim's Automotive's Management is to increase net profit by 100 percent by December 31, 2014. December 31, 2014 net profit will be compared to December 31, 2013. December 31, 2013 net profit was \$16,000 of \$1.7 million revenue making the Net Profit Margin 0.9 percent. To increase net profit Jim's automotive will start by decreasing overtime hours paid by 50 percent by July 31, 2014. Over the next three months Jim's will strive to reduce overtime 16.67 percent per a month to obtain the 50 percent goal in July. To achieve this goal proper scheduling techniques will be implemented (i.e. Shift work. Instead of scheduling every employee for all hours of the workday, schedule employees so we have more at busy times and fewer at slow times). Currently with 15 employees Jim's Automotive pays \$50,000 dollars in over time. By simply scheduling employees properly and not having every employee open and close Jim's can reduce their overtime cost to \$23,000 per a year, a difference of on \$27,000 from year 2013.

Second, Jim's Automotive will use the money saved from proper scheduling to promote sales and marketing strategies such as, radio and local TV ads, back to school specials, oil

change discounts and enacting contracts with local agriculture and city units to perform all mechanic and tire installation work for their vehicles. Activity based costing will be implemented for each product so costs can be distributed accurately and correct margins can be generated. With activity based costing Jim's Automotive will know where its costs are originating and where the most profit is coming from. Activity based costing Jim's management will be able to more precisely discern areas of concerns and be able to enact a plan to resolve them. Also, they will know what product and/or promotion allowed Jim's to best meet its 100 percent increase in net profit objective.

Functional-Level Strategic Objective

By using the extra revenue to promote Jim's Automotive the management team will be able to increase the total revenues of Jim's. By increasing total revenue Jim's will also increase its net profit. One more way that Jim's will be able to promote its materials is by expanding its area of sales. Currently Jim's sells only in the Smalltown area. Largetown is only 10 miles away and hosts over 50,000 potential customers (more than double Smalltown). By expanding its sales area, Jim's will be able to attract a larger customer base that would mean increased revenues and profits. To track the sales that are acquired through expanding to Largetown, Jim's will need to identify customers with the sales location. This can happen in two ways, mailing address or by telephone number. By understanding where the revenue is coming from Jim's will be able to know how and where to push sales harder. Also, Jim's management will be able to tell if expanding into Largetown is a viable option and if it produces an adequate increase to income.

Another of Jim's Automotive December 31, 2014 strategic goals is to increase customer satisfaction by 30 percentage points. As of December 31, 2013 Jims customer survey results showed that only 50 percent of its patrons would recommend the company's services to a friend.

One of the main reasons that Jim's customers feel this way is because of the long waiting times that they must endure to first get service and second the time it takes to get the work done. Often, between the elapsed time between customer arrival and first employee interaction is 10 to 25 minutes. The time to do a simple maintenance job varies on the work being done but can take employee up to an hour to perform the work. As a standard industry marker, to change a customer's oil or install four new tires, takes one trained professional 30 minutes at most to complete either job. To improve the customer survey score by 30 percentage points by December 31, 2014, Jim's Automotive needs to do two things, (1) Implement a service writer role into the employee line up, and (2) train employees on maintenance/repair procedures. Jim's currently does not have a lead service writer. A service writer is acts as a liaison between customers and technicians. The service writer is the face of the company. He or she is the first and last person the customer sees. The service writer discovers the needs of the customer, estimates the cost of the job, and interprets the needs to the appropriate technician. "If the vehicle requires additional work beyond the original estimate, the service writer contacts the customer to advise the extra cost and obtain approval to proceed" (Linton, 2014). A service writer is also responsible for scheduling all work to be completed by technicians. Such scheduling ensures that jobs are completed within the designated time by the service writer to the customer. Also, by having a service writer it ensures that customers will be greeted by an employee as soon as they drive on to the lot. Currently, Jim's Automotive does not have one employee assigned to the service writer role. By, July 31, 2014 the current front desk manager should assume the role of service writer while the other front desk employees should act as backups. On December 31, 2014, the new customer survey report will be compared to the December 31, 2013 report to see if customer satisfaction has increased by the predetermined 30 percent goal. Here are a couple of

tips from SBA.GOV for the service writer and his front desk staff, to further increase customer satisfaction (Beesley, 2013):

- **How are customers being greeted?** — Put them at ease and make them feel comfortable! This sets the tone for the rest of the transaction.
- **Demonstrate that your customers are valued** — Let them know you think they are important. Your sincerity makes them feel good about you and the organization.
- **Ask how to help your customers** — Find out what they want. It is important that each customer encounter makes them feel satisfied.
- **Don't challenge disgruntled customers** — Listen, reassure them that you'll escalate or act on their complaint and follow through until resolution.
- **Help customers** — Help them get what they want. Make it easy for customers to locate or obtain the information they need. Answer their questions in a timely manner.

Second, on May 1, 2014, training managers will be selected in each of the service areas at Jim's. Current training manuals will be given to each of the training managers to give them a framework on which to build their training and certification curriculum. Each will be given a deadline of June 1, 2014, to have a final draft of his/her training manual to present to the general manager. These manuals and certification tests will be reviewed by the manager and revisions assigned to be completed by June 8, 2014. Once curriculum and manuals are complete, training managers will administer training to current employees or give them the chance to "test out" on certifications as appropriate if they already have the required expertise and utilize proper protocols. By utilizing certification levels, Jim's can assign tasks to appropriately certified personnel, which will aid in minimizing mistakes, decreasing service times, and increase overall customer satisfaction. As new hires come to Jim's, they will be expected to attain basic certification in their service areas within two weeks of hire.

Managerial Components

Staff with Capable Employees

To execute a strategy of customer satisfaction and consistently meeting market needs, Jim will need to start with hiring the right people. Jim's isn't necessarily looking for people who are the most highly trained. People who are trainable with good attitudes and ability to play well with others will contribute most to the goals of Jim's Automotive. Once teachable people with the right attitude are hired, the training system can do its work to make them capable and qualified to do the quality work that the community deserves. For more technical positions, Jim's will advertise specific hard skills requirements in job postings, with the additional required soft skills of being teachable and customer service oriented. At time of interview, Jim's manager will analyze if individuals are a good fit for the company mission and culture.

Build Organizational Capabilities

In order for Jim's to serve its market, it is necessary for the company to operate with a high level of professionalism and expertise in many aspects of automotive repair and maintenance as well as customer service, inventory and scheduling management, human resource management, and others. The training program that has been previously discussed will serve to give employees clear procedures to follow. When issues arise that are outside of the normal training procedures, trainers and/or management will be available for help with questions, problem solving, or technical issues. Without capable employees, it is impossible for Jim's to have success.

In order for employees to be capable, the business must have leadership. The manager must have vision and follow through to help the company realize that vision. Assistant managers and employees need to be accountable in helping the company achieve long and short term goals in daily actions. To help the manager develop leadership and assist him with leading the company in setting and achieving goals, the owners have a fund available for sending the

manager to leadership seminars specific to the automotive industry. The manager meets with owners every six months to discuss company goals, progress, and resources needed to continue company growth and improvement.

Evaluation of training, leadership, and general business procedures is also crucial to success. Employees and customers will be given the chance to evaluate the business and management team reviews results to identify strengths and weaknesses and make adjustments accordingly.

Create Strategy-Supportive Structure

For a company to succeed, one person can't do it alone. Personnel at all levels of the company must have the support they need to make goals realized. Jim's manager is at the head of the company, but has the owners available for support and accountability when needed. The assistant manager helps with decision making, training programs, and implementing strategies as needed. The assistant manager also oversees the service writers at Jim's. The office manager reports directly to the manager, oversees the bookkeeper, and handles payroll and benefits and accounts payable. On the other side, under the manager, we have trainers or area managers. Each of these people leads in his/her respective area and is available to individual employees for help, motivation, training, and reporting injuries or problems. In this structure, everyone has someone to report to and smaller issues can be resolved by area managers, keeping the manager free to set goals, evaluate store and employee performance, make sales, and deal with serious issues that arise.

Allocate Sufficient Resources

Each department at Jim's has a training and motivation budget available to them so that assistant and area managers can procure training materials as needed, use creative techniques to

train, and take the opportunity to recognize employees for outstanding performance. Training and motivation expenses must be cleared through the office manager.

Marketing is an important part of executing the strategic plan at Jim's. An appropriate yearly marketing budget will be discussed between the manager and owners to decide what funds are necessary to promote Jim's to new move ins, trucking companies, and the general public in Smalltown.

Expansion is also important to Jim's as they look to the future. Though the company already owns the land needed to expand its truck service facilities, Jim's still needs to pay for laying large concrete pads, running electrical, air, and water from the main building to the truck pad area, and purchasing the equipment necessary for a full-service truck pad. Also, as the company is considering placing a quick lube in another part of town, consideration must be given to expenses for buying land, obtaining facilities, purchasing equipment, and marketing for the new location.

Institute Policies and Procedures that Facilitate Strategy Execution

General, day-to-day practices will make the difference in customer service and profitability at Jim's, which is a big part of its strategy. Small things like phone etiquette and service times help give the customer a positive experience and feel that they've been attended to properly. Courtesy checks help customers save money on bigger repairs later, but they also give Jim's a chance to pull work back in before it goes somewhere else. Procurement and inventory planning procedures involve finding best prices for best quality to continually drive prices down. Marketing and promotion generate awareness and make it possible for customers new and old to find affordable automotive repair services. Having best practices in place and training employees

on those procedures will give Jim's the edge it needs to serve its community and reach maximum profitability.

Adopt Best Practices to Drive Improvement

With new training and procedures being implemented at Jim's, follow through and evaluation will be crucial as management works to adopt best practices. As changes take place, Jim's will find that some practices are more effective and efficient than others. By evaluating service times, profit margins, customer reviews, and employee reviews, management can improve or prune the inefficient, ineffective practices to leave only those that make the most out of the company's resources.

Install Info and Operating Systems

Jim's currently operates on the TireCaptain system, which manages payroll, inventory, accounts payable, invoicing, reports, work orders, scheduling and general daily operations. This operating system comes from an established national company. Jim's pays a small monthly fee to utilize the system and has access to troubleshooting and training on the system through the TireCaptain system. Having one operating system makes it possible to streamline training and keeps important company information easy to access for managers, and owners to run reports and analyze data. As Jim's runs into issues with the system, the company can send requests for services, updates, and changes to the system from TireCaptain. The technical support available and ability to make adjustments to fit Jim's needs makes it a viable option to continue use of TireCaptain with the implementation of the strategic plan.

Tie rewards and incentives to achievement of targets

The training system soon to be implemented at Jim's ties progression in the company and raises to longevity and achievement of competency certifications. Each area manager has access

to a motivation budget that is to be used when employees exhibit outstanding performance in support of the company vision. Motivation budgets are also to be used at manager's discretion when groups within the company or the company as a whole meet goals. Promotions, when offered, will be offered contingent upon the setting and reaching of a specific goal so that individuals recognize that achieving company goals ties to progression and rewards.

For example, Peter, who works in the tire bay, is on track to replace Joey, who has been the tire bay trainer, but is moving out of town to attend school. The manager pulls Peter in for a short meeting in which he helps Peter set a goal to decrease service times in the tire bay by an average of five minutes in the next two months. Peter works with the tire bay team to eliminate unnecessary transition times and meets the goal. At the end of the two months, the manager offers Peter a small pay raise and a promotion to area manager over the tire bay.

Instill culture that promotes good strategy execution

Many parts of company culture contribute to execution of strategies. Leadership style, incentives, promotion, customer service, management of logistics, and hiring the right people are just a few of the factors that affect culture. Jim's wants a culture that truly cares about individuals and serving the community. By making each employee accountable for his or her actions, Jim's instills a sense of responsibility in individuals for serving customers and company, cutting costs, and driving profits. When employees feel invested in the company and its vision, they will work harder to execute strategies.

Leadership to propel strategy forward

Accountability is key in propelling the strategy at Jim's forward. Weekly management meetings make it possible for the general manager and area managers to communicate regarding goals, issues, and implementation of procedures. The manager is responsible for setting the tone

for the business and should lead out in offering excellent customer service, meeting goals, and communicating clearly to employees. Setting goals and holding managers and employees accountable for follow through is what will make the difference in meeting objectives and moving forward in the company vision.

Actions to Align Company Efforts With Mission

The first thing necessary to make sure Jim's efforts are aligned with the mission is to cultivate a culture of accountability. Employees need to understand that customers come first, which means always doing quality work with a smile. If an employee is not producing quality work or does not act in a way that communicates customer service and concern for the community, appropriate disciplinary action must be immediately taken, generally in the form of a write up. Jim's needs to have consistently followed policies in place regarding employee performance. If an employee continues to perform below company expectations and three write ups are in an employee file, the employee is dismissed to be replaced with someone who can meet customer and company needs. By making each individual at Jim's accountable for performance and attitude, the company can serve the community in accordance with its goals.

Offering the best possible service involves having personnel that are properly and continuously trained in their disciplines. Good customer service is impossible when employees don't know how to do their jobs. Proper training equals higher quality work, less mistakes, and more satisfied customers.

To keep prices low, Jim's management will need to stay involved in analyzing the market and searching for the best possible products for the lowest prices. By not settling for what the

company is currently selling and consistently searching for new or different product, the company works to offer low prices to customers.

Market research is a necessary part of evaluation in ensuring that Jim's is serving the community as it intends. If a company's goal is excellent customer service, that begs the question, are the customers really satisfied? Customer surveys should be conducted every two years to determine Jim's strengths and weaknesses in meeting its goals to meet customer needs. Once surveys are conducted and strengths and weaknesses identified, management should meet to formulate action plans to address areas of concern or possible areas of expansion if customers mention that services other than those offered are desired.

Theories of Motivation

Hierarchy of Needs and Equity Theory

Many of the employees at Jim's are low-income. These are people who worry about paying rent, groceries, and gas on a monthly basis. According to Maslow's hierarchy, many employees at Jim's are in the physiological stage of need. Motivation for these types of people often comes in the form of money or cash equivalent bonuses, such as health insurance benefits. Jim's is planning to implement a training and certification program wherein attaining proficiency in business disciplines leads to certification, raises, and performance bonuses. This helps motivate people who are concerned with meeting the basic needs of life to broaden their horizons and gain competencies that make them more valuable to the company.

Although many employees are in the physiological stage of need, a few of Jim's employees are more skilled, are paid more, and have their most basic needs met without trouble. For these employees, a different level of motivation is required, involving the esteem and self-

actualization stages of need. For these employees, they need to feel that they have professional and personal goals that are being met other than just increased pay. Jim's gives these employees chances to earn education credit, time off, and other incentives by meeting performance goals.

This approach to motivation could quickly become problematic if certain employees view their available benefits as being less than those of other employees. It is important for Jim's to conduct regular employee evaluations, including questions that address if employees feel that they are treated fairly and sufficiently compensated for their work. Making employees aware that they can have input about compensation and equity with supervisors makes it possible to maintain a company culture of open communication. This open communication will help the company to detect perceived inequities and work to correct them before employees become dissatisfied and decrease performance to compensate.

Organizational Considerations - Structuring Work Effort

Value Chain Activities

Jim's performs several value chain activities internally, such as human resource management, inbound and outbound logistics, procurement, marketing and sales. The manager, inventory manager, and office manager share in these responsibilities to research costs, procure and track inventory, increase sales, and deal with hiring, firing, employee evaluations, motivation and payroll. Technology needs are outsourced to a local business that deals with updating computers and software, networking, and troubleshooting needs. Jim's pays a national company for the use of its operating system, TireCaptain, and the company deals with any issues that arise in the system. The office manager takes care of some accounting needs, but taxes are outsourced to a local accountant each year. Jim's doesn't do any of its own manufacturing,

which lays the burden of warranty, faulty product, etc. on the manufacturers and suppliers. Legal is also outsourced to a local attorney, who drafts legal documents and deals with general legal issues.

Building Blocks of Organizational Structure

An organizational structure and culture based on accountability must have solid human resource procedures. If employees are not held accountable for the training they've received and the procedures they're expected to follow, mistakes run rampant, customers are unhappy, and accidents can happen. Human resource management with proper training, disciplinary action when necessary, and appropriate motivation and compensation is one of the most important parts of Jim's organizational structure.

Offering low prices is dependent on a good procurement team. Jim's manages its own procurement and must constantly be on the lookout for new products and promotions that make it possible to offer excellent pricing to consumers. Without brilliant procurement tactics, the company can't live up to its mission statement in serving its community with outstanding prices and customer service.

Authority

Employee's ideas and input are solicited and consensual decisions will be sought when possible with the new strategy, but the owners and manager retain final decision making authority with issues or changes. Training managers are selected in each area of the business and have authority to train and correct on company procedures and report issues. These people act as "lead technicians" in their respective areas and take responsibility for the management of these areas. Management meetings will involve training managers when appropriate and all changes

that come from store management will be communicated through training managers if not presented in company meetings.

Cross-Unit Coordination

After being trained in their main area in the company, employees will have the opportunity to cross train in basic functions across the store. Many times, the lube bay will be extremely busy while the tire bay lies empty and vice versa. By cross training employees, customers can be taken care of more quickly and volume of customers served increased. Also, by training employees in multiple disciplines, they can recognize issues with vehicles that may need addressed more readily. For example, someone rotating a customer's tires who is trained in the basic functions of the lube bay may recognize that a vehicle is leaking transmission fluid. If this problem is recognized in the tire bay, the customer can be notified and repairs scheduled, avoiding costly transmission issues for the customer and generating additional business for Jim's.

Collaboration with Strategic Allies

Working with strategic allies allows Jim's to make profit in situations where customers may have otherwise gone elsewhere. For example, semi truck owners often decide to lower operating costs by buying retreaded tires rather than new. AOK Auto across town retreads semi tires. Rather than simply sending the business away, Jim's can connect with AOK to retread customer tires. This gives Jim the opportunity to be involved in the market for retreads without procuring the equipment and personnel necessary to offer that service.

Current and Emerging Org. Characteristics

Currently, Jim's operates mostly under an autocratic leadership system. The employees don't have much input regarding the operation of the business in long term goals or day-to-day operations. This makes it difficult for employees to feel truly invested for the good of the company and causes motivation problems.

A plan is soon to be implemented to change the leadership system at Jim's. Monthly company meetings are to be reinstated after they went by the wayside about five years ago. Each of these company meetings will involve getting input from employees on ways to improve practices, problems they see, strengths they think the company can play to, and general concerns. For example, "Idea of the Month" will be implemented, which is where employees have a chance throughout the month to submit ideas to improve the business. Management (and other employees, as appropriate) will choose the idea they like best for the month and discuss the implementation plan at the company meeting. This involves the employees in coming up with general ideas and deciding how best to implement them. Rather than simply being told what to do, this empowers the workforce to help make decisions about what they'll be asked to do.

Quarterly employee evaluations will always be a time when employees can communicate concerns, etc. to management. Jim's understands, however, that issues often arise more often than quarterly and plans to maintain an open communication policy, wherein employees can make an appointment with the manager anytime to discuss problems, promotion, ideas, etc.

Jim's currently employs some entry level technicians, many of whom have little experience. A training and certification program will be implemented where a trainer will be selected in each area of the business. Trainers are responsible for the training of each new hire. In addition to giving them marketable skills, certifications earned are also accompanied with raises and the potential for eventual promotion. This method transfers over to front desk help,

bookkeepers, etc. with everyone in the company having the opportunity to learn job competencies to be successful in the company.

Approach for Corrective Action During Implementation

Customer exit surveys and employee evaluations will be conducted to help Jim's analyze the effectiveness of the strategic plan. As feedback is submitted, management will have weekly meetings to discuss success of the strategic plan, scheduling, and action items for the week. If adjustments are needed immediately and it is not possible to wait for employee input, management will make decisions and act accordingly. When changes are less urgent, they will be tabled until the monthly company meeting, at which time employees will have the chance to submit ideas for course corrections.

When decisions are made regarding the strategic plan, management and trainers should first be briefed on what the changes entail. The culture of accountability comes into play here. Trainers can assist management by following through with changes in their respective areas and helping to hold employees accountable for the successful implementation of new procedures. If employees fail to adhere to new standards and follow procedures, they will be called in for a meeting with the manager, where misunderstandings can be cleared up if there are any. If misunderstanding is not the issue, however, and an employee refuses to follow procedures for other reasons, those reasons can be shared. If course correction is necessary for the company, management can move forward in that way. If course correction is needed for the employee, said employee can be written up, expectations clarified, and further disciplinary action taken if necessary.

In implementing a strategic plan, consistency and correction are crucial. If something isn't working, the company needs to change it. If someone isn't working, the company should address that, too. Creating a positive company culture and successfully moving forward with strategy to improve a business ultimately comes down to individuals. The company can move forward by keeping in mind the interests of the business and its employees.

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