

# Managing Change

This article reviews the organizational issues presented in the week 4 essay—Organizations as Cultures. The preceding article explored the entrenched culture of automotive dealerships, and used Petersen Motor Company of Ogden, Utah as an illustrative example. This article investigates potential improvements that could be made at Petersen Motor Company (PMC), and outlines a plan for implementing these changes successfully.

## 1 Organizational Diagnosis

It was decided to focus in on three key organizational issues: pay basis, work-group diversity, and communication styles. Changes in these three areas will incur short-term expense, but are investments that will yield substantive long-term successes in terms of stronger customer loyalty and customer appeal, superior operational efficiency, and improved worker satisfaction. Success along these dimensions will facilitate company growth and higher long-term profitability.

### 1.1 Pay Basis

Currently the majority of PMC employees are compensated using some type of commission-based pay. Sales personnel are paid a percentage of sales profit, and parts department employees are paid a commission on all the parts they sell. Service customers are charged a flat rate for repairs made (i.e. a fixed charge is assigned to nearly every possible repair), and service technicians are paid a fixed percentage of that charge, regardless of time required for the repair. Service advisers are also paid a fixed percentage of repair charges for all repairs they manage.

A commission pay basis has been adopted in most U.S. automotive dealerships, and is attractive for several reasons. Sharing company revenue with employ-

ees motivates them to increase sales. Flat rate technician pay also provides a safeguard against 'come-backs'—repairs not done correctly that need to be fixed—since technicians must correct faulty repairs without pay. Although several aspects of this system are effective, inefficient practices have evolved from it. Dealership employees generally want to help each other, and the mantra 'everyone needs their cut' is often put into practice. Consequently, processes frequently take circuitous routes in order to maximize the number of beneficiaries from company revenue. The result is a slower process, and higher prices for customers. These results contribute to the reputation that dealerships have for being a relatively expensive option for vehicle repair. Pay system changes are required to move toward more lean operations.

The current pay plan motivates employees to increase personal profit. But is increased personal profit beneficial to the organization? Some employees think long term, such as wise service advisors and sales personnel that recognize the need to develop and cultivate their customer base. Other workers that place more priority on present profit, however, may tend to squeeze customers for more repairs or sales than is prudent. In addition, a tendency to focus on the details of daily activities that contribute to immediate personal profits obscures the holistic view of company operations. Focus on personal profit does not always correlate well to dealership success.

### 1.2 Work-group Diversity

The current norm is distinct segregation between work-groups. Within a group, members are homogeneous along several dimensions. Many have had identical educational and experiential backgrounds. A trend is for male employees to work in service, and female employees to work in the office. Conversations within work-groups tend towards reinforcing

the distinctions between groups. Some results of this phenomenon include producing an environment that many customers may not feel comfortable in, and a lack of innovation or adaptation within the organization.

### 1.3 Communication Style

Dealership employees engage in many interactions with others each day that are nearly identical in content and purpose. These interactions might be with other employees, with suppliers, or with customers. Certain strings of words are found to work well for particular types of interactions, and employees become comfortable using these strings as building blocks for their communication. The rut of phrase overuse is easy to slip into, and hearing others engage in cliché ridden conversation reinforces this practice. This mechanistic communication style causes individuals, particularly organizational outsiders such as customers, to feel they are not *really* being listened to. In some cases this is true. A customer will begin explaining a problem, and a service advisor will instinctively connect it to the twelve other similar problems he heard that week, missing critical details of the present problem. In summary, lack of communication richness and quality is a pervasive problem in many dealerships.

A second communication issue is customer follow-up. Rather than having the service advisor make a phone call to follow up on repair satisfaction, an inexpensive hourly employee reading a script makes the follow-up call. This person rarely understands vehicle repairs, and has no authority to handle any potential problems, or even make a return appointment. From the customer's perspective, it appears as though the service advisor is not actually concerned with their welfare, and receiving a scripted call can be irritating at the very least. One reason follow-up calls are even made is that automotive manufacturers issue customer surveys for every warranty repair. These surveys are the basis for a dealership's Customer Service Index (CSI), which heavily impacts the privileges a dealership enjoys from the manufacturer. A dealer is therefore interested in encouraging more customers to respond positively to these surveys. This desired positive response is the focus of scripted follow-up calls, rather than issues the customer might be more interested in. In addition, most dealerships only follow-up on warranty or new vehicle sales customers. A follow-up policy that exhibits more genuine concern for customer welfare would be an investment in long-term customer loyalty. Improvement of these communication issues will give the dealership a competitive edge.

## 2 Approach to Change

If change is made in the three areas described in the preceding section are implemented simultaneously, the result will be synergistic improvement. This section suggests changes that will address these issues, and describe the synergistic effects.

It is suggested that the commission-based pay plan should be modified to drive employee solutions toward long term success, rather than short-term profits. Incentives for successes that benefit more than just the individual could help realize this. For example, a monthly bonus for technicians tied to reduced trends in comebacks, improved CSI, or other performance metrics would encourage technicians to adopt a vision for future company success. This higher-level perspective will help employees become more active contributors to the long-term success of the dealership.

A suggestion to help improve work group diversity is to institute structural changes that promote enhanced interaction and mixing between work groups. Forming cross-functional work teams can help accomplish this. Some dealerships have adopted these in just the service department (requiring only superficial structural changes). It is suggested that these teams be expanded across all departments. This can only be facilitated by the pay changes suggested earlier in this section. If employee pay is based on the collective success of their respective team, workers will be more apt to look out for the welfare of others on their team. This structure facilitates processes that can adapt to variations in demand across departments. For example, in a lean pull-type system such as this sales personnel could walk to the service department to aid service advisors with large influxes of customers during peak morning and evening hours. Service technicians could step over to the parts department to help unload a new delivery. This increases the dealership's peak demand capacity, and overcomes the problems of segregated work groups and narrowly defined jobs. Other helpful restructuring may be to redefine work group objectives and processes such that group members are required with different educational or experiential backgrounds. For example, creating a 'technical advisor' position in the sales department to help answer more involved customer questions and to help train sales personnel on new vehicle technology would provide obvious benefits to the sales department through increased knowledge resources, but also promote interaction between individuals with sales and technical backgrounds. Improved cross-training and cross-utilization throughout the dealership will improve the work environment, re-

spect across departments, and capacity to adapt and handle increasing work loads.

The third improvement initiative is in the realm of communication style. Implementing the first two initiatives simultaneously with the third will synergistically improve the success of these endeavors. Language, behavior, and processes all revolve around the commission pay plan. Removal of the traditional commission pay plan will force workers into adopting new language and processes. Organizational restructuring will provide opportunity for new verbal interactions, also requiring workers to consider more deeply the language used. This time of transition is the ideal situation to focus on the need for improved communication style. Workers will be outside their usual comfort zone, having to carefully craft their statements and questions. Introducing communication workshops at this time will be more effective than waiting until after workers are comfortable with the first two changes.

### 3 Anticipated Support and Resistance

All three suggested changes make sense for the long term success and growth of the dealership. Keen management personnel likely will support the principles behind these measures, however employees at all levels will be reluctant to let go of some of the old policies and norms. Experienced employees capable of high production levels and high pay under an individual commission system will balk at the compensation system changes. If designed correctly, proactive employees may be capable of equal or higher pay rates under the new system, but it may take some time to realize these levels. Organizational restructuring will not cause employees to cease interaction with coworkers they are accustomed to encountering, but will introduce additional interactions, therefore what workers will have to let go of are comfort zones and familiar patterns of behavior. Allowing workers time to assist other departments will be a difficult adjustment. The current system dictates that service advisors keep technicians in the shop and working as continuously as possible. When service advisers begin to understand the reality of the new team-based pay system, they will understand that it is imperative technicians are encouraged to assist others as needed. Letting go of language patterns and cliches will be particularly difficult. Seasoned workers have spent years developing a workplace communication style comfortable to them, and even if open to change, will have a hard

time doing so. Newcomers from other dealerships will bring with them a communication style typical to the greater U.S. dealership culture, making improvement of communication an uphill battle. However, when a majority of workers successfully implement more effective communication skills, the environment will be promote the adoption of better communication skills by others (even newcomers).

### 4 Change Plan

Due to the synergistic benefits, all three changes should be made simultaneously. The learning curve for pay basis change and structural change will be relatively easy compared to communication change. The first two items will be challenging to implement, but will not require follow-up as intensive as required for the communication change. Management will need to sell these initiatives to employees; to avoid worker resentment management must be highly participative in the initiatives put forth.

With such an entrenched culture, U.S. dealerships have stagnated in operational efficiency and worker fulfillment. Some recent initiatives in the automotive service and sales industries have included renewed focus on customer service and on quality. Customer minded employees can truly impact the success of a dealership. However, most changes from these initiatives have lacked depth, resulting in very little change of actual daily operations. Implementation of the above suggestions will help revitalize a tired company, resulting in growth, greater profits, and substantially improved employee satisfaction and customer relations for PMC.

To introduce these changes management should meet with employees to explain the vision and reasoning behind them—emphasize the successful aspects of past policy, and explain that the changes are an evolution of how things were done. For example, traditional commission pay has many benefits. The new pay plan simply modifies the basis for how commission pay is determined in order to encourage more holistic thinking. When changes are introduced, inform the customers and suppliers of the new ways and the expected benefits. In addition to customers feeling they are cared about and included in the process, customers may be an added source of support for employees embarking on these changes.

## References

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