

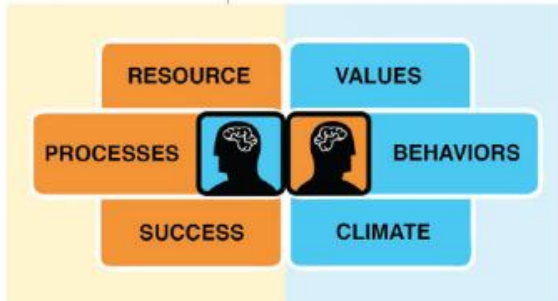
How Customer Focused Is Your Dealership Culture?

Do This Month's Numbers Trump Everything Else?

BY JAY RAO

Many companies describe themselves in these ways in annual reports, speeches and advertising. Being customer-focused is vitally important for any business that relies on repeat customers, a positive public reputation, and referrals. Southwest Airlines is one of those businesses, and its rise from obscurity to industry dominance was largely fueled by its obsessive customer focus. Auto dealerships can do the same, and recent research indicates that they have plenty of room for improvement on that score.¹ Every dealership likes to say it has a customer-focused culture. For many, that's more of an aspiration than a reality. Their challenge is to get beyond that aspiration – and thread-worn slogans – to a point where everyone from the corner office to the showroom to the service department is guided by an internal compass of customer-centricity.

The six building blocks of culture



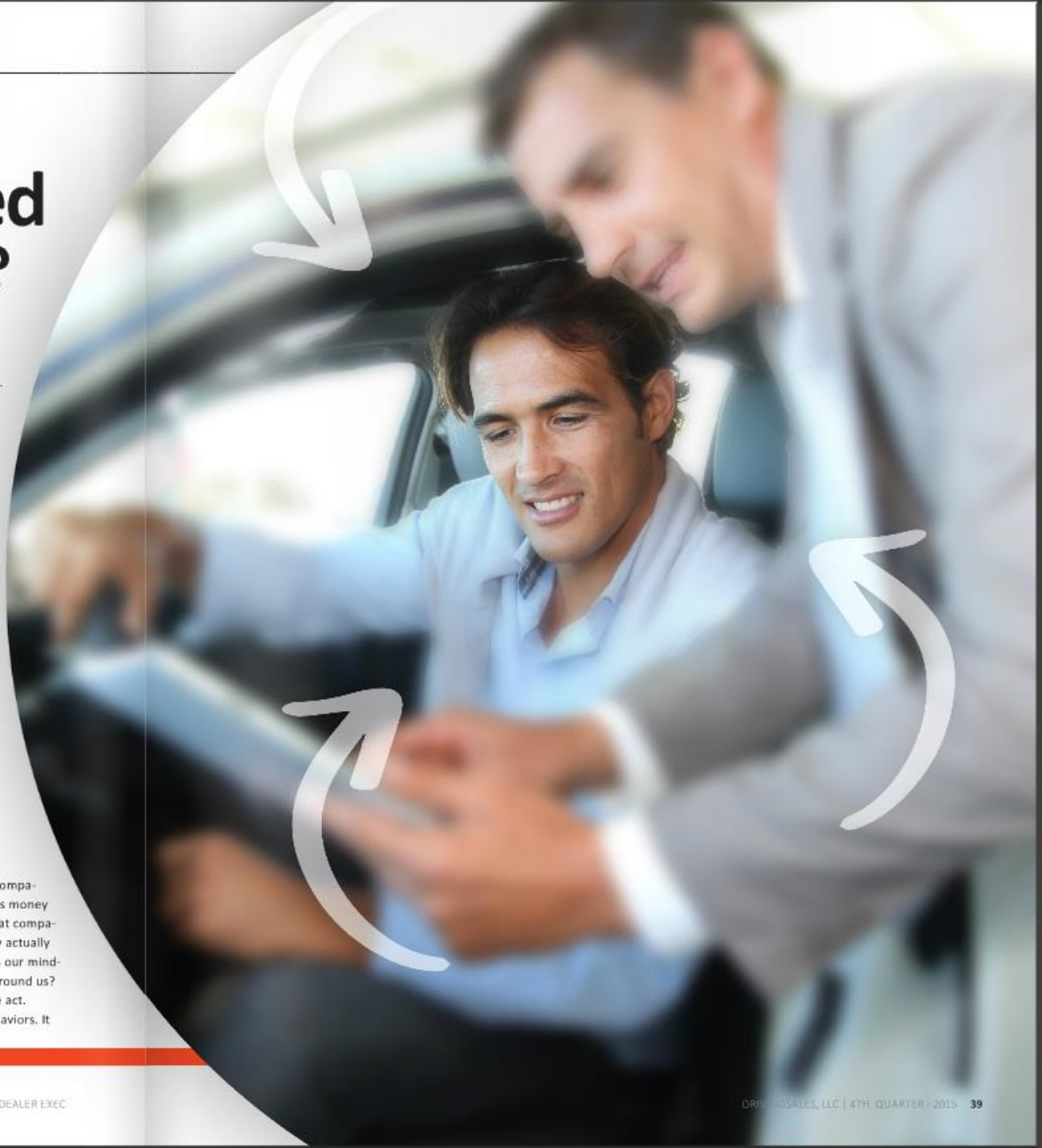
The six building blocks of culture

What is this thing we call “company culture?” Social scientists and management professors like me use the term all the time. But for most people, enterprise culture is a slippery term that is hard to get a firm grip on. Nevertheless, culture is real and it has a profound effect of the way a business operates and connects (or fails to connect) with its customers.

The best way to understand organizational culture is to understand its essential building blocks – there are six – Values, Behaviors, Climate, Resources, Processes and Metrics. All of these are closely interconnected. You can read more about the origins of this model in a previously published article.²

The six building blocks defined

Values are reflected in how a company sets its priorities and spends its money. Values have less to do with what companies say and more with what they actually do. What are our beliefs? What is our mindset and how we view the world around us? **Behaviors** describe how people act. Values are exemplified in our behaviors. It



“Customers are at the center of everything we do.”

is most pronounced in the way the leaders and owners of dealerships spend their time. Do our managers and leaders engage and enable our people to do their best? Do we spend more time with our customers or with our finance department?

Climate describes the quality of workplace life. Are our people coming to work energized every day? Is the place collaborative or combative? Is the workplace caring or cut-throat? Is the dealership empathetic or aggressive?

Resources refer to the human capital as well as the physical assets. Among dealership, physical assets rarely give them a great competitive advantage. Do we have the right people? Do they have the right skills? Are they constantly learning new skills?

Processes are the ways we work. How do we hire? How do we learn? How do we build deep capabilities over time?

Success describes how people are rewarded, how achievement is measured, and what earns praise from management, customers and competitors. Do we only keep score of our sales and profitability or do we try to please the customers? Do our customers love us? Do they keep coming back? What is our Net Promoter Score?

A business's values are reflected in its priorities and how it spends its time and money. In effect, values determine “what matters around here?” Southwest Airline's notion of what matters can be described as “service and fun.” These can be traced back to the airline's founder and longtime leader Herb Kelleher (now retired). Kelleher nurtured a corporate-wide

passion for service and fun for both employees and customers. In doing so, he created America's most popular and profitable airline out of a small regional carrier with three planes.

Think about the values that dominate your business – the things you and your managers and employees obsess about. Do people obsess over customer service and satisfaction or do this month's numbers trump everything else? Where is your dealership's focus?

Behaviors describe how people act in the service of their values. In the best organizations, key values are widely shared. People take those values seriously and align their work behaviors with them. In the worse cases, values are the drivel served up in weekly and monthly reports and leaders' speeches that are generally ignored by employees and managers alike.

There is little doubt that the leader's values and behaviors have the greatest influence over the climate he/she wishes to create in the workplace. Also, through their power to make decisions, allocate resources, and reward behavior (how success is defined), leaders have more control than anyone else over which values dominate and shape the *climate*.

Using their visibility and ability to persuade and influence, leaders send clear signals about “what matters around here.” Their formal power to reward some behaviors and punish others gives them a tool for aligning peoples' workplace behaviors, which in turn determines the processes that are set up within the firm. How do we do the hiring? How do we interact with our customers? How do we solve

problems collectively?

Employees are always noticing what their boss is doing. If the boss's behavior is not aligned with official values – that is, if he or she does not “walk the talk” – the result is an everyone-for-onself culture in which employees are disengaged and have to be “bribed” to do the right things; group cohesion around key goals never gels.

How one company did it

As an example of the culture-shaping power of leadership, consider the case of Vernon Hill and his great success in building a customer focused banking business. “Banking?” you ask. “But we're in the automobile business.” No matter. Some of the most powerful insights about management are gained when we look outside our industry and its circle of competitors.

Under the direction of founder/CEO, Vernon Hill, Commerce Bancorp expanded from a single location in Cherry Hill, New Jersey to 470 branches. Deposits during Hill's tenure grew at a compound annual rate of 30 percent, six times the industry average, and shareholders' returns grew at the same 30 percent pace. Commerce was sold to Toronto-Dominion Bank in 2008 for \$8.5 billion.

How did Hill profitably grow this bank so quickly? Coming from the retail industry, Hill did what he'd seen the best retailers do: He infected his business and its employees with an obsession for customer service. At a time when competing retail banks were limiting hours, reducing services, and charging fees for things that had once been free, Commerce did the opposite.

“Ours is a culture of customer service.”

Service hours were extended to evenings and weekends – even Sundays. Instead of pushing customers toward the Internet, as other banks were doing, Commerce welcomed them – and their dogs – to its brick and mortar “stores.”

As Hill saw it, the main ingredient of retail success was an army of engaged, customer-oriented employees. At Commerce, most people were hired on the basis of attitude. As he and Southwest Airlines discovered, skills can be taught – values and behaviors cannot. Both adopted the practice of hiring people with customer-friendly attitudes and training them, as needed, in specific job skills. And to drive home the message that customer service was the value that matter most, Commerce held a “Wow! Awards” night every year at New York City's Radio City Music Hall, where the top prize was a new Porsche.

The Commerce story illustrates how each of our building blocks creating a re-enforcing culture. Hill infused Commerce with values he had developed earlier in his career: customer convenience and unstinting service. Through employee selection and training, rewards, encouragement of innovative ideas, and other mechanisms, his bank supported the behaviors on which his strategy depended for success.


So, if you are the owner or general manager of a dealership, think about the six building blocks that form its culture. And ask yourself these questions:

- **What matters around here?** What do you and other employees focus on? If “making the numbers” is obsession No. 1, get beyond that. The numbers are truly important in any business. But the numbers are the “result” of something more fundamental: How customers feel they are treated, their willingness to refer

their friends and to return for service and their next auto purchase. Obsess on these points and the numbers will follow.

- **How are we training our people?** If customer focus is the goal, train people in needs recognition, listening skills, and effective interpersonal communication. Create opportunities for non-sales personnel to meet and interact with customers they serve indirectly every day.
- **How do we learn what our customers think of us?** Many dealers follow up sales and service with customer questionnaires. The question is, what are you doing with the data? Are questionnaire results genuine, or are sales people telling customers to “please give me a 10 on everything.”

- **What values am I modeling for employees with my own behavior?** As the leader, you set the cultural tone of the dealership. So demonstrate your interest in customers. Spend part of every day meeting and talking with customers – in the showroom, on the lot, and in the customer service lounge. Employees will notice. Don't be the person in the back-room that the sales person has to run to for every little negotiation.

Many factors that contribute to the success of an auto dealership are out of the management's control. The economy. Interest rates. The portfolio, quality and appeal of the manufacturer's vehicles. The culture of the business, however, is under your control. So build one that puts customers at the center of everything it does. 

REFERENCES

1. www.trust.drivingsales.com
2. Jay Rao & Joseph Weintraub, “How Innovative Is Your Company's Culture?” MIT Sloan Management Review, Spring 2013.



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Dr. Rao teaches extensively in the Babson Executive Education programs. His executive teaching and consulting is in the areas of innovation, implementation of innovation initiatives within firms, corporate entrepreneurship and customer experience innovation. His research has appeared in The Sloan Management Review, The European Financial Review, IESE Insight, Journal of Innovative Management, and many others. He has written several business cases that range in topics from Innovation, Innovation Strategy, Customer Experience, Customer Service, Operations Strategy, Strategic Alignment, Supply Chain Management, and Quality Management.