

The Art of Retention and Recruiting

When sales stagnate, don't just survive: Thrive

BY MIKE ESPOSITO

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or many dealerships, profit margins on new vehicle sales have been shrinking for well over a year now.

And for many dealerships, that's been OK because increased sales volume and strong back-end earnings have more than made up for shrinking margins.

However, we all know the good times don't last forever. If your sales volume were to stagnate or take a turn for the worse, what's your game plan? Sure you may survive, but the real question is can you thrive?

Cost-cutting is no fun. Profitability is better achieved through organizational efficiencies, increasing customer loyalty and reducing costs associated with employee turnover. It's no coincidence that 40 percent of the companies in *Fortune* magazine's "America's Best Places to Work" list also appear on the *Fortune 500* list. These companies' average employee and customer churn rates are less than 5 percent and as a result, their profitability is two to 10 times higher than average companies.

See the connection? Happy Employees = Loyal Customers = Higher Profitability

When discussing retention and recruiting, you may be tempted to focus on the recruiting part first. How do you find good employees? But that's putting the cart before the horse. First, you need to focus on retention. The correct question to ask

is, "How do I create an awesome workplace that will enable me to keep my current employees happy and allow me to attract the best of the best in the future?" Before I answer that question, let's review why this is an important issue to tackle.

The Cost of High Turnover

Costs associated with a bad hire are truly substantial. In addition to wages paid, hard costs include unemployment insurance and COBRA. Then there is the time spent interviewing the new hire, training them, managing them more than necessary, and repeating the process unnecessarily a few months later.

How much are we talking in terms of hard dollars? The U.S. Department of Labor estimates that the average cost of turnover is 30 percent of an individual's annual earnings. Say you hired five sales consultants last year. The national average compensation for a sales consultant is roughly \$64,000. The 2015 NADA Workforce Study revealed that the average turnover rate for car salespeople is 72 percent. Statistically in one year you will lose three of your five salespeople. That adds up to \$57,600!

Define Your Vision, Culture and Values

The first step in creating a great workplace that will retain employees is to ask yourself this question: Why are you in business? Whenever I ask dealers this question, one of the most common responses is "to



“It’s not hard to make decisions when you know what your values are.”
– Roy Disney

make money.” But that’s not the answer. Making money is the result of your “why.”

One way to define your “why” is to define your mission statement, company vision and core values. These are critically important. Without a vision, how do you know where your company is going? Without values, on what basis do you make your decisions?

Your vision is simply answering the question, “Where do you want to be in five years? Ten years?” What do you want your dealership’s legacy to be?

Here are a few tips for creating a mission statement that defines why you are in business:

- Inspire. The statement should inspire you, your employees and your customers.
- Provide purpose. Mission statements guide and help unify organizations.
- Keep it brief. There’s nothing more uninspiring than a long-winded paragraph about what the company does. Keep your mission statement to one sentence. Focus on the “why,” not the “what” or the “how.”
- Think big. Don’t be afraid to stretch the limits of what you believe your company and its employees can achieve.
- Keep it simple. The hugely successful shoe company Zappos’ mission statement is simply “To provide the best customer service possible.” Sometimes, simpler is better.

Once you have defined your vision and mission statement, define your core values as a company. Don’t be tempted to pluck values out of thin air that you think sound good. This has to be real. When it comes to values, you have to walk the talk or your customers will see right through it.

The best way to define your values is to ask your current employees. Send a list of core values to your employees

and ask them to choose the top three that they believe define the values of your dealership. Get together with managers from each department and find a consensus. Make these your core values and communicate them everywhere to everyone.

What Are Your Core Values?

Choose three to five core values that define your dealership:

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|--------------------------------------|---------------------------------------|
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| <input type="radio"/> Competence | <input type="radio"/> Commitment |
| <input type="radio"/> Community | <input type="radio"/> Customers First |
| <input type="radio"/> Diligence | <input type="radio"/> Diversity |
| <input type="radio"/> Efficiency | <input type="radio"/> Empowerment |
| <input type="radio"/> Family | <input type="radio"/> Happiness |
| <input type="radio"/> Hard Work | <input type="radio"/> Harmony |
| <input type="radio"/> Helpfulness | <input type="radio"/> Heart |
| <input type="radio"/> Humility | <input type="radio"/> Innovation |
| <input type="radio"/> Integrity | <input type="radio"/> Knowledge |
| <input type="radio"/> Loyalty | <input type="radio"/> Ownership |
| <input type="radio"/> Preparedness | <input type="radio"/> Persistence |
| <input type="radio"/> Reliability | <input type="radio"/> Resourcefulness |
| <input type="radio"/> Safety | <input type="radio"/> Teamwork |
| <input type="radio"/> Trustworthy | <input type="radio"/> Transparency |

Manage From the Bottom Up

Do your managers believe that the employees beneath them in the structural hierarchy are there to help them achieve organizational goals? Or, is it the other way around? As a dealership general manager and principal, your top priority every day should be to help your employees do their job better.

The other aspect to managing from the bottom up is communication. If you don’t tell your employees what’s going on with your dealership, they’ll start making stuff up.

Communicate everything. Remember, your employees are at the top of the organization hierarchy. They deserve to know.

Create a Top Workplace

What makes a great place to work: free

How the Typical Dealership is Run



How You NEED to Run Your Dealership



lattes for the employees and a putting green out back? Those things aren't bad, but that's not what motivates your employees to come to work and do a great job every day.

Workplace Dynamics is an organization that partners with leading publishers across the U.S. to produce regional "Top Workplaces" lists. According to the millions

of employee surveys they have conducted, these 10 factors drive the highest level of employee happiness:

1. Leaders of the organization care about their employees' well-being.
2. Being able to trust what the organization says.
3. Having confidence in the leadership of the organization.



Avoid the 4 Biggest Hiring Mistakes

- 1 Hiring too quickly
- 2 Hiring candidates who are not a good culture fit
- 3 Overselling opportunities
- 4 Not properly vetting all candidates

4. Being paid fairly for the work performed.
5. Feeling valued in the organization.
6. Understanding the long-term strategy of the organization.
7. Being treated like a person, not a number.
8. Having adequate staffing levels to provide quality products/services.
9. Employees liking the type of work they do.
10. Retirement plan benefits.

In addition to the Workplace Dynamics “Top Workplace” rankings, nearly every city or state has a business journal. Many of these journals run an annual “Best Places to Work” contest ranking local companies. Automotive News also ranks the “Best Dealerships to Work For” on an annual basis. Set a goal to get your dealership on one or more of these lists. Being ranked as a top workplace has many benefits. You will attract better job candidates and it will

make your customers perceive you as more trustworthy. Additionally, your current employees will be happier and therefore, so will your customers. This can’t be faked!

To get started, have an employee nominate your dealership for one or all of these programs. You may not win the first or second year, but the feedback you get from the anonymous employee surveys is invaluable. The surveys provide actionable data from which you can make decisions for your company going forward. Becoming a great place to work is not easy, but it’s a worthwhile goal that will make your dealership more profitable in the long run.

Attract and Recruit Quality Employees

When your dealership is perceived as a great place to work, it’s much easier to attract and recruit quality employees.

The first step in recruiting a candidate who will do their job well is to know what

is required to do the job well. Create a job analysis for every position in the dealership. A job analysis is more detailed than a job description. For every open position, answer the following:

- What are the KPIs that will measure whether a person is successful in this position?
- What are the personality traits of people who have performed well in this position?
- What are the personality traits of people who have not performed well in this position?
- Write down all the responsibilities for the open position. Then write down the corresponding knowledge, skills, abilities and experience needed for each of the responsibilities.

Next, define the qualities in employees that are necessary for a culture fit. If your dealership sells luxury brands and focuses on customer experience, the type of salesperson you want will be quite different from a dealership that brands itself as the low-price leader and focuses on volume.

Once you have a job analysis and the ideal candidate profile for the job and your dealership culture, you can begin interviews. It's important not to rush this process. Dealers too often associate an empty seat with lost revenue; but it's important to remember the high costs associated with high turnover. No matter how urgent the need, it's important to be patient and fully assess each candidate before making a hiring decision.

Creating and sticking to a hiring process is the only way to ensure that you won't make a hiring decision that you'll regret. Recommendations include:

Form a hiring committee. Select two to five people whose judgment you trust. Come to a consensus on the type of person you're looking for. If one person is looking for leadership skills while another

doesn't think leadership skills are necessary, they won't be evaluating candidates in the same way.

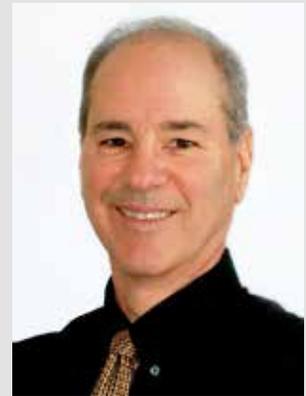
Don't rush. A successful process typically includes an initial phone screening with many candidates, followed by in-person interviews with your top five or six candidates. You may want to narrow that pool down to your top two or three and bring them back for second in-person interviews with everyone on the hiring committee.

Conduct pre-employment tests. Require your top two or three candidates to take an achiever assessment or other personality assessment. It's not difficult to "fake" your way through an interview, but it is difficult to outsmart a test that has been carefully designed by Ph.Ds in Psychology. Such assessments are considered to be very accurate and are commonly used by large corporations, but there are affordable options for small businesses, too.

Make a Unanimous Decision. In order to hire anyone, committee consensus is required. If the team doesn't give a collective "yes" then the answer is "no."

Vet Top Candidates. It's common for people to lie and fake their way through interviews. Before you make an offer, take the time to vet the candidate. Don't believe that what is written on a person's resume, or what they say during an interview, is an accurate assessment of that person's abilities, experience or achievements. Check references, verify facts listed on the resume and do a background check.

Focusing on retention and recruiting – in that order – will raise levels of employee satisfaction, customer loyalty and profits. Although the concept is simple, it does take commitment, effort and time. But the good news is that taking these steps will enable your dealership to not just survive during the next sales downturn, but to thrive. 



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Mike Esposito is President and CEO of Auto/Mate Dealership Systems, a leading dealership management system (DMS) provider. Mike is passionate about leadership principles and during his tenure has grown Auto/Mate's dealership client base to more than 1,100 rooftops. Mike is an in-demand presenter on the speaker circuit and well received due to his engaging sessions and sense of humor. His mission is to help other leaders increase success by focusing on the creation of an awesome workplace environment. Mike speaks from experience as he was formerly a general manager for a large dealership. He believes in giving back and spearheads Auto/Mate's involvement in local events and charities. In his spare time he enjoys golf and building fine furniture.