

Management Skills in the Retail Motor Industry

A Report for Vauxhall Motors Ltd

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January 2003

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1. Executive Summary

1.1 Background

In the light of current business imperatives, Vauxhall and The Vauxhall College wish to review their management development provision. The purpose of this research is to gain insight into informed views about management development, both within and outside the Vauxhall franchise. The research was carried out by RTS Consultants (UK) Ltd for The Vauxhall College, according to a methodology agreed with Vauxhall.

1.2 Methodology

Representatives from a mix of 35 manufacturers, retailers and interested organisations were contacted by telephone of whom 27 responded (Appendix 1).

The contributors were not intended to be a random sample. Individuals were targeted who it was felt had a broad, but informed view of what is happening in the industry, as well as an insight into training and development issues. A questionnaire was designed to elicit mostly open qualitative responses.

22 contributors chose to talk through the questionnaire, and gave generously of their time; few spoke for less than 30 minutes, some talked for over an hour. The remaining 5 preferred to complete and return the questionnaire without a phone call.

1.3 Key Observations

The largely qualitative questionnaire encouraged a broad range of views, but it was not at all difficult to identify key issues. Whilst the summary below cannot be assumed to correspond with the views of every contributor, it represents a high degree of consensus.

1. Perceptions of the quality of management skills within the Retail Motor Industry are clearly skewed towards the poor end of the range. Weaknesses were identified in Leadership Style, Change Management, and especially in People Management. A bleak picture was painted in comparison to other retail sectors, although recent years have seen the emergence of significant pockets of good practice.

2. Further weight is added to the suggestion that management skills are seriously lacking when the existing management skills profile is set alongside current business imperatives.

For example:

<u>Business Imperatives</u>	<u>Skill Area</u>	<u>Skills Gap</u>
1. Profitability	Finance	High
2. People Development	People/Leadership	Very High
3. Customer Focus	Sales & Marketing / Information Management	Medium
4. Block Exemption	Change Management/ Leadership	Very High

3. Providers of management training and development can help retailers to redress this situation by:

- Developing a much more radical and flexible provision based on customer (i.e. retailer) needs
- Finding ways to embrace the Retail Forum Standards in a practical and cost effective way
- Helping retailers to fit management development into a broad HR framework
- Developing solutions to the immediate crisis in recruitment

4. By far the majority of contributors consider that manufacturers have a key role to play in management development, since only the largest groups have both the learning culture and the HR resources to make it happen alone. This support need not necessarily be in the form of programme delivery, except where it is brand specific, but there is a clear call for them to lead the way in defining management standards and in facilitating and monitoring provision. It was clear from their comments that some manufacturers have already begun to implement significant management development programmes.

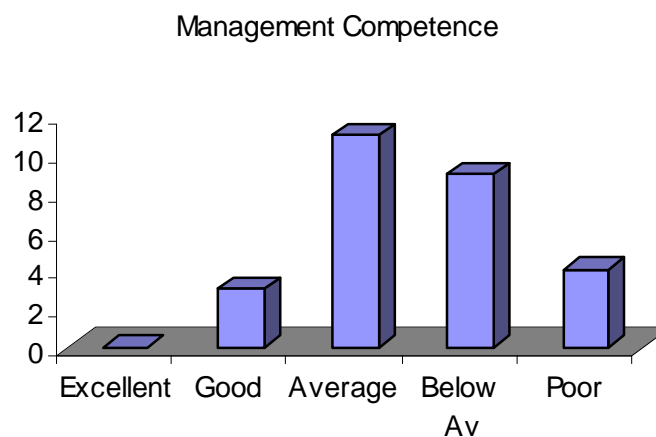
There is also a strong belief that the nature of the relationship between manufacturer and retailer needs to change. Manufacturers, providers and retailers all act with positive intentions, but different perspectives – co-operation is therefore key. There is a demand for a more dynamic and genuine partnership which acknowledges and builds on network best practice.

2. Findings

Q1. Existing management competence

1.1 How would you rate the current level of management skills within the Retail Motor Industry?

Table 1 shows a perception of management skills which is clearly skewed towards below average and poor.



10/27 contributors made unprompted comments comparing skills in motor retailing unfavourably with other sectors. This is an interesting development on from the traditional view, i.e., that due to the complexity and unique nature of motor retailing, comparisons are pointless (a view which was expressed by only one contributor.)

Comments included:

'Our industry awards for best practice would be laughed at by other sectors'

'Other industries take people management skills for granted'

'Despite massive changes, our image remains poor in comparison to others'

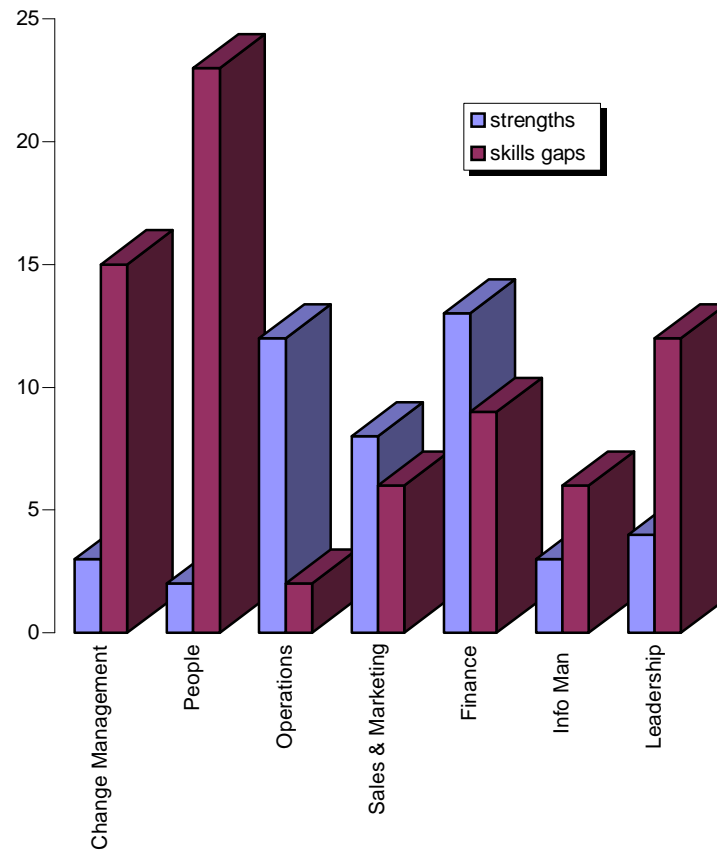
'Insufficient investment in leader/manager development'

10/27 also made unprompted comments on the significant differences across the industry, as some organisations were clearly felt to be getting it right. There was no consensus on which types of organisation were most likely to get it right, and although some groups were held to have the best practitioners, others pointed out how managers in large organisations were often the poorest performers, because:

'Common procedures are put in place but not adhered to', 'Rapport building with teams and customers is diminished'

1.2 Have you observed any particular areas of strength / weakness?

Table 2 shows how the comments of contributors could be grouped into 7 areas.



The table demonstrates that Managing Operations was perceived as a strength. There were points made both for and against in the areas of Finance, Information Management and Sales & Marketing. Common weaknesses identified were Leadership Style, Change Management and People Management. None of the contributors made any distinction between junior/middle/senior managers.

The comments on poor People Management were particularly prolific, referring to the entire gamut of HR skills. Further insights are contained in the quotations in Appendix 2, where they are summarised under the following threads:

1. HR Infrastructure
2. Recruitment
3. Retention/succession planning/career planning
4. Performance management
5. Training and Development
6. Motivation

Q2 Management competence required to deliver current business imperatives

2.1 In your view, what are the critical business issues that the industry should be addressing?

Whereas the previous question identified skills gaps, this question attempts to identify current business imperatives. This is critical information for providers of management development programmes, in order to develop skills in conjunction with perceived business needs.

Contributor comments can be summarised under the following threads:

1. Profitability
2. People Development
3. Customer Focus
4. Block Exemption
5. Quality Standards
6. Brand

1. Profitability

Business imperatives include the need to:

- Balance volume 'push' factors against brand experience/customer delight 'pull' factors
- Continue to develop the aftermarket
- Develop robust and efficient 'lean processes' which eliminate waste, guarantee quality, and allow scale benefits of replication

2. People Development

Business imperatives include the need to:

- Become 'Employers of Choice' in order to attract and retain talent
- Address the gaps in managers' skills – at all levels
- Align employee behaviour with organisational goals, brand values and culture
- Link development activities to improved productivity and increased sales revenues
- Benchmark against best practice in other sectors

3. Customer Focus

Business imperatives include the need to:

- Fully understand the elements of customer relationship management
- Ensure that the essentials for building rapport are always in place
- Improve customer profiling and targeted marketing
- Improve production of meaningful customer feedback

4. Block Exemption

Business imperatives include the need to:

- Act quickly and creatively to identify and grasp new opportunities
- Meet the challenge of new kinds of competition
- Fully understand the implications of new contracts

5. Quality Standards

Business imperatives include the need to:

- Ensure that manufacturer standards are met and continue to be met
- Coach teams to 'live the standards'
- Develop cost effective, non bureaucratic auditing systems

6. Brand

Business imperatives include the need to:

- Recognise the brand as a critical differentiator
- Recognise the changes required to ensure that reality matches the brand message
- Develop practical guidance and coach teams so they can deliver the brand experience

Observation: When these critical business issues are set alongside the typical management skills profile described in Question 1, it becomes clear that the key skills required to meet the challenges of the business imperatives are lacking. For example, the post Block Exemption environment will require the ability to manage change pro-actively as opposed to simply coping with change. People Management skills will be vital for retailers seeking to become 'Employers of Choice' in order to attract and retain talent. People Management skills will also be vital in coaching teams to deliver consistent brand experiences in the battle to win customer loyalty.

Q3. Key Management Development Issues for Providers

3.1 What training and development issues should providers be addressing in order to support the achievement of the business imperatives described in Question 2?

Contributor comments can be summarised under the following threads:

1. Need for a holistic approach
2. Need for a radical approach
3. Recruitment
4. National standards
5. Flexibility

1. Need for a holistic approach

There is a demand for a more holistic approach which will place management development within a broader framework, with several comments like this one:

'We need to change the mindset that training and development are isolated events, and replace it with the philosophy that they are natural and vital business activities'

Those who were developing frameworks around competencies were happy with the approach. It was suggested that smaller organisations which did not have in-house HR expertise could benefit from HR Toolkits and/or outsourced HR services/advice.

2. Need for a radical approach

Providers of training and development were accused of the same out-of-date thinking that characterises other aspects of motor retailing, i.e. of not being truly customer focused (in this case the retailer being the customer). It was said that flexible providers should be catering for different needs and different sized purses, and should be able to provide very practical, regionally based activities in bite sized chunks, despite the difficulties, since that was what was wanted. Comments included *'One size doesn't fit all'* and *'Make it demand led not provision led'*.

Other ideas put forward included:

- Provide practical guidance, e.g. on how to grasp post-block exemption opportunities
- Further develop distance learning, e-learning and Interactive Forums
- Further develop links to Business Schools
- Maximise the coaching role of field staff, especially in relation to the use of business tools
- Develop sales training to reflect best practice in retailing from outside the industry
- Business clinics
- Action Learning Clubs
- Guidance on how to draw down funding
- Disseminate best practice models
- Promote training/development activities more effectively by linking to tangible business benefits

3. Recruitment, Retention and Succession Planning

Comments here focused on:

- The need for senior managers to identify and develop successors. Those who had begun to develop rigorous selection mechanisms such as assessment centres were positive about them, e.g. *'They are a way of identifying analytical reasoning skills and communication skills'*
- The need for managers to develop skills to recruit effectively. Recruitment training, guidance on on-line recruitment and recruitment toolkits were all mentioned.

4. National standards

Nearly all the contributors had heard of the Retail Forum Standards (Automotive Retail Management Standards - ARMS), and felt they could make an important contribution to management development. They were described as *'structured'*, *'consistent'*, able to be *'mapped into existing provision'*, and *'will help transferability of labour'*. The flexibility of the standards, which could be contextualised for different groups, manufacturers and regions, was welcomed.

However there were words of warning related to the need for rigour, the need for cross-industry endorsement, cost-effective assessment strategies, the need to accommodate flexible job roles, and for sensitivity in applying the standards with older members of staff.

NVQs in Business Improvement Techniques were also mentioned as a route to leaner operations, with the benefit of being linked to quantifiable improvements in productivity.

Other standards such as ISO and IIP were being used by some contributors, but were recognised as not being suitable for all retailers.

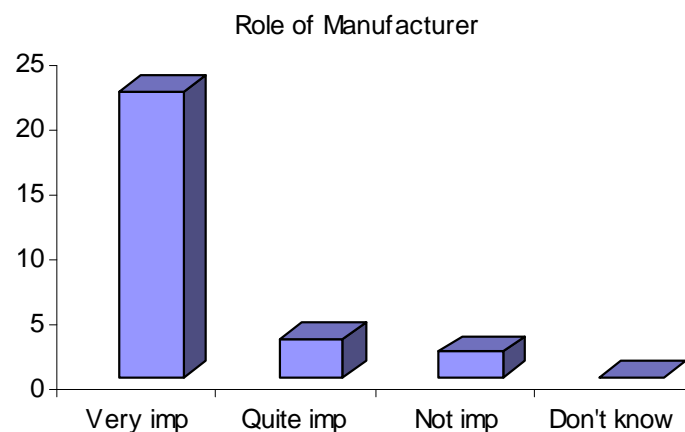
5. Flexibility

Providers need to be well organised administratively and flexible enough to adapt programmes quickly to meet changing requirements.

Q4. Current Management Development Provision

4.1 How important is the role of manufacturers in retail management development?

22/27 contributors thought that manufacturers had a very important role to play in management development. Although some groups were doing ground breaking work, management development was considered so critical to business success that it could not be left to chance. It was strongly felt that manufacturers needed to take the lead, since only the largest groups had the learning culture and HR resources required.



There were 3 threads in the comments about what kind of lead manufacturers should offer:

1. Programme Delivery
2. Quality Control
3. Flexibility

1. Programme Delivery

There was no strong feeling that manufacturers should necessarily be responsible for delivery, or for subsidising delivery, although where manufacturers assumed this role it was acknowledged that the retail network could benefit from their vision and expertise as well as the consistency and economies of large scale provision. Large scale provision could suffer from a lack of flexibility, however.

Members of Vauxhall's Education and Training Advisory Board – who had previously been asked to consider whether manufacturers should focus on technical and brand related training, allowing retailers/other providers to deliver generic management training – were not on the whole unhappy with the idea, although there was also a view that brand value should be the driver of leadership programmes.

2. Quality Control

Regardless of the extent of manufacturer involvement in delivery, there was a clear and definite call for manufacturers to define a framework of standards and to quality control provision. Ideas included:

- measure individual performance in preference to written tests
- measure performance by using Retail Forum Standards (ARMS)
- measure organisations' capacity to develop people (using HR process standards rather than KPIs)
- build a requirement to demonstrate competent (as opposed to trained) managers into retailer agreements
- end the link between attendance at training and retailer earned margins
- endorse/accredit approved suppliers of training and development

3. Flexibility

There was a strong belief that the nature of the relationship between manufacturer and retailer needs to change. Manufacturers, providers and retailers all act with positive intentions, but different perspectives – co-operation is therefore key. Development of a dynamic and genuine partnership would acknowledge and build on network best practice.

Immediate outcomes could include:

- accreditation of prior learning, which will take out cost, and will encourage mobility into and within the industry
- retailers to map HR standards into their branded programmes, in a way that performance outcomes will satisfy both retailer and manufacturer
- identification and sharing of best-practice models

Appendix 1: Contributors

Manufacturers

Name	Organisation
Bill Jeffries, National Training Manager	Citroen
Phil Davies, Training Controller for Retail Management Development	Renault
Sue Bradshaw, Manager of Dealer Man Dev (+Retail Forum)	Peugeot
Geoff Davies, Manager of Dealer Training and Development (+SMMT EDC)	Toyota
Kevin Davidson, Manager – Centre for Development	BMW
Rob Ball, Head of HR Development (+SMMT EDC)	MG-Rover
Peter Thornton, Training and Development Manager (+Retail Forum)	Daimler Chrysler

Retailers

Name	Organisation
Maurice Fishwick, Head of Management Development	Vardy
David Boot, Organisation Development Manager	John Martin
Steven Troup, Retail Operator	Charvill Brothers
Chris Barry, Joint Group MD	Greenhouse
Paul Morton, Group Personnel Dev Manager (+Retail Forum)	Ryland
Mark Squires, Chief Executive	Benfield Motors
Dereck Mars, Group Training and Dev Manager	Lancaster
Robin Wilson, Retail Operator & ETAB*	Wilson & Co
Stephen Latham, Retail Operator & ETAB*	Latham of Torbay
Paul Harford, Retail Operator & ETAB*	Dan Harford, Bristol
Muir MacKay, Retail Operator & ETAB*	Autovision Scotland
Diane Pocock, Group Training Manager & ETAB*	Lookers
David Jerram, Personnel and Development Manager & ETAB*	Pomphreys

Other Organisations

Name	Organisation
Paul Everett, Head of Policy	SMMT*
Alan Mackrill, Director of Education and Training & Gavin Hall, Business Development Manager	IMI*
Bill Twigg, Head of Research and Qualifications Development	EMTA*
Prof Dan Jones	Cardiff Business School*

Note : MITC* requested that Peter Thornton (see above) should represent their views

Vauxhall

Andy Gilson, Director for Retail Sales
Brian Cranny, Manager HR Management
Andy Lyon, Business Development Manager

* ETAB = Vauxhall's Education & Training Advisory Board

* SMMT = Society of Motor Manufacturers and Traders

* EDC = Education and Development Committee

* IMI = Institute of the Motor Industry

* MITC = Motor Industry Training Council

* EMTA = Engineering and Marine Training Authority

Appendix 2: Contributor quotations on skills gaps

a) Change Management:

3/27 thought it a testimony to managers that they had coped with the levels of change over the past few years, citing *'franchise restructuring'* and *'fluctuations in market demand'*.

15/27 thought change management to be a weakness, pointing out a *'conservative mentality'* and *'reluctance to challenge existing perceptions'*, a *'closed shop mentality'* and *'entrenched culture'*, dominated by *'short termism and targets'* and a *'reactive management'*, *'unable to use planning and analysis to develop a strategic view'*

b) People Management

2/27 felt this was a strength within some of the better groups, both referring to good communications. *'People know what they need to do'* and *'The brand is promoted through people'*

23/27 pointed to people management as a weakness. For example:

- **HR infrastructure** *'Few companies use HR management systems, so they don't benefit from the hard edge of data analysis', 'HR is piecemeal -there isn't a holistic approach to people development' 'There's nowhere for organisations with less than 200 employees to go for HR support', 'People are seen as a cost not an investment', 'People management is spasmodic, especially in sales teams'*
- **Recruitment** *'Recruitment isn't methodical, based on competencies' 'We recruit people like ourselves, instead of to the job' 'We don't train managers how to recruit', 'We need the experiences of external people, so we must deal with issues around pay, image and insularity – otherwise we're in a vicious circle'*
- **Retention\Succession Planning\Career Planning** *'If there's no external pool we need to grow our own', 'The industry retention figures are poor, but we have shown it can be done - hardly anyone else is measuring managers on staff retention', 'Managers have to build loyalty', 'We don't view recruits as long term employees', ' We should be using career progression maps'*
- **Performance Management** *'The wrong people are left in post', 'There's no clear objective setting', '360 degree feedback would demand change', 'There's no consistency in measuring performance', 'There's no process for picking up and developing those who don't meet targets'*
- **Training and development** *'We should promote people only when they are ready, trained and capable', 'We promote managers on their technical skills and then just leave them to pick up people management skills and to learn about systems and processes', 'We don't train for the right reasons – we need to plan it and follow it up', 'We need to train managers for cross functional roles', 'We should measure and train against competencies', 'Managers see teams as receivers, not something to be developed'*
- **Motivation** *'We incentivise the wrong things', 'Commission doesn't build teams' 'We need to think better on how to incentivise the large numbers who are unlikely to have careers', 'Managers don't know how to coach and motivate', 'The culture will only change when managers can communicate how to live the values'*

c) Leadership styles

4/27 individuals made positive mention of Leadership Styles, commenting on the effectiveness of *'strong leaders in achieving tasks and targets'*, and the *'opportunists'* whose *'entrepreneurial style is streetwise and effective in negotiation'*, is good at *'seat of the pants'* leadership, thriving *'on situations requiring a quick reaction'*.

There was a broad recognition from many contributors of the complexity and workload that managers had to deal with, resulting in *'good coping skills'*. There was also praise for *'commitment, drive, passion and intelligence'*

However, 12/27 saw this leadership style as a weakness, since *'top-down isn't always what's needed'*. It can lead to *'a reluctance to delegate'* and a communication style which *'is not consultative'* and *'doesn't promote a learning culture'*. It can also mean *'short termism'* and *'poor planning skills'*.

Two contributors felt that this was a result of the continued success of the sales route for management promotion, resulting in managers with personality, but who are *'not the nurturing type'* and *'not process focussed'*. The predominance of one management style also means *'a lack of role models'*.

d) Managing Operations

12/27 thought that this was a strength, although this view was not substantiated by much commentary – rather it seemed to be taken for granted. Quotes included *'good at daily operating controls'*, *'day to day management of own areas – they run a tight ship'*. Three mentioned *'technical knowledge'* as a strength.

1/27 thought it was a weakness, quoting *'the continued waste in service, repair and parts'*

e) Sales and Marketing

8/27 thought this to be a strength, again without much supporting commentary.

4/27 saw it as a weakness, because *'there is a lack of the creativity shown by other sectors'*, *'available data isn't properly used'*, *'there is no evaluation of whether campaigns succeed'*, and *'manufacturer innovation in brand presentation needs to be carried through'*

f) Financial Management

13/27 saw this as a strength, saying *'Managers are increasingly aware of the financial constraints on their departments'*, *'Profit retention can be good'*, *'Cash management is good'* *'Managers are financially aware, and use it to influence their decisions'*, *'They know what levers to pull'*, *'they are getting better at F&I'*, and *'They how know to play the manufacturers' games.'*

10/27 saw it as a weakness, referring often to strategic financial planning; saying *'Tracker isn't properly used'*, *'Strategic financial planning is weak'*, *'Poor use is made of business planning models'* *'Strategic goals aren't translated into operational ones'*. *'Financial decisions are left too late'*

There was also thought by 2 contributors to be an over dependency on accountants *'Accountants are prudent – they don't always manage the business dynamically'*

g) Information Management

3/27 saw this as a strength. The dealer management system was quoted as an effective resource.

'Some groups do well, with call centres, booking efficiencies etc backed by monitoring and reporting systems'

6/27 saw it as a weakness. *'The tools are there but not understood', 'Managers are dragged kicking and screaming by manufacturers,' 'Manufacturers interfere too much,' 'Generally procedures are poor'*