

# Bob Kustka

## Dealer magazine

### It's Time to Bring HR to the Bottom Line

#### A series of conversations between Michael McKean, Car Guy and Bob Kustka, People Guy



MM: Bob, you know just ten years ago most dealers would not have thought they needed an HR department. Today, however, that has changed, and most medium to large dealer groups see HR as a necessity.



BK: Well, compliance issues, such as Family Medical Leave, hiring discrimination practices, and the like have become more complicated, and as companies get larger their exposure to these rules grows exponentially.

MM: Compliance is certainly a priority for an HR manager and I see many dealers doing a much better job of keeping abreast of their responsibilities in these areas; but, you know HR is still relatively new to the retail auto business, and as I visit with my clients, what I don't see is a true integration of HR with the other operating departments of the dealership. I think most dealers see HR as a necessary evil and they don't expect HR to be all that involved with operations. Is this the norm in other industries?

BK: I don't know if there is a norm, but I can tell you that in my experience those companies that have completely integrated their HR departments with their operational components are usually more successful than those that haven't. I know while at Gillette, all of us in HR considered ourselves to be every bit as accountable for profitability as anyone in engineering, production, or sales.

MM: I've observed the evolution of HR in our industry and I think this integration issue is a missing link. Dealers are struggling to maintain profitability and they need everyone in the organization to be pitching in. Going beyond compliance, I believe there are many things HR departments could be doing that would more directly affect the bottom line. In your experience, what are some of the things HR managers could be doing to help their dealers make more money?

BK: The big one, of course, is employee turnover. I like to ask HR managers where their pain is, and employee turnover is off the charts. By the time you factor in hiring costs, training expense, and lost productivity, you've ac-

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cumulated tens of thousands of dollars in expense even for the most entry level position. And of course, as I've heard you preach so often, the number one determinant of customer loyalty is employee loyalty.

MM: Let's dig into this one a little deeper. First, just so we're all on the same page, how do you measure employee turnover rates?

BK: For your industry, I would suggest counting the number of positions, both filled and unfilled, at the end of the year and then count the number of W-2's filed with the IRS. If you have 100 positions and issued 120 W-2's, then your turnover rate is 20%. I would also suggest that because there are so many different kinds of jobs within a dealership, the turnover rate be calculated by position: sales, administrative, technicians, etc.

MM: What are the benchmarks for turnover rates?

BK: That's a problem in your industry because I don't think anybody really knows. At Gillette, company-wide we would expect a turnover rate of less than 3%. Last week I spoke to one of our prospective members of HRAuto.org who told me the turnover rate in their sales department was 65%. If that's representative of your industry, then that's a huge problem.

MM: I don't know if that number is representative, but employee turnover is an issue with most of our clients. Let's assume a dealer wants to improve his employee retention; what should he be expecting from his HR department?

BK: That's a big question that requires a big answer, so let me try to break it down into smaller pieces. Why do good employees leave their employer? Is it for better pay, better conditions, because they don't like the management, too far from home, better career options? The reasons are endless. To find out the answers to these questions, you need a thorough exit interview process. This is definitely an HR function.

MM: I understand how that will give you some clues as to the problems, but an exit interview sounds like the end of the story. Aren't there ways for an HR manager to be more proactive?

BK: Certainly, and hiring, orientation, and training are all

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pieces of the puzzle, but good people won't stay in an uninviting work environment, so culture, if I can use an overworked consultant's term, is important. Defining, envisioning, and nurturing an inviting, rewarding, and challenging work environment ought to be on the top of the HR department's agenda. Nothing that I can think of could be more directly related to a dealer's profitability.

MM: You mentioned hiring. Do you recommend pre-employment testing and behavior profiling?

BK: Absolutely, but of course like everything with HR, there is a right and wrong way of doing it. But I firmly believe the more you know about a prospective employee, the better hiring decisions you are going to make.

MM: You also touched on orientation. I've got to tell you, I see very little of this in my travels through dealerships. What would you suggest?

BK: Most of this we'll have to save for another session, but simply put, people want to know where they stand with their employer, they want to know what to expect and what is expected from their employment, and most importantly, they want to feel good about the company they work for. This is basically what orientation is all about. But it is not just for new hires. Orientations should be a continuous effort, new employees and old. Again, making sure the goals, principles, and expectations of the dealership are effectively communicated to the employees should be a major responsibility of the HR department.

MM: Finally, training. In our business, there are a great number of resources for training, especially for technicians and sales. What other areas of training would you think are important to dealers?

BK: There are many, but any retail business must have basic communication and etiquette training for all employees who come in contact with customers. You would be surprised how often this is overlooked, but consumers make judgments about companies in very fundamental ways. A poor experience with a receptionist or cashier could cost a dealer a sale—or worse, a customer.

MM: We spend a lot of our time helping department managers become better business people, but what about helping them become better people-people? Shouldn't this also be part of a dealer's training regimen?

BK: The number one reason good employees leave their companies is dissatisfaction with management. You have told me that most mid and upper level managers in the retail automotive business are people who have worked their way up from entry level positions. Undoubtedly, many of these people have succeeded because they have good people skills and determination. But if a dealer has a high turnover rate in a particular department, the first place I would look to is the department manager's leadership abilities. But look, you're working me way too hard here. Can't we wrap this up?

MM: For now, sure, but sum it up for us. If I'm a dealer who's concerned about my employee turnover, what do I do?

BK: Well, first I'd measure it. Find out what it is and where it is and start tracking it. Don't worry about benchmarks; if it's bad your gut will tell you. Next, start asking questions. Do we know why these people are leaving? If not find out; finally, make it a priority. Let everyone know, HR department or not, that employee retention is a priority. Find out where you need help and then get it. I cannot think of a better way for dealers to improve the bottom line than to tackle this problem. Can we stop now?

MM: OK, we're done, but rest up because I'm just getting started.

*Car Guy, Michael McKean, President of OCD Consulting, LLC, a retail automotive consulting company, and People Guy, Bob Kustka, President of CHR Partners, a human resources outsourcing company, have teamed up to form HRAuto.org, a "twenty group" for professional HR managers from large, privately-held, automotive dealer groups. To learn more, visit them at [www.hrauto.org](http://www.hrauto.org).*