

BULLDOG FORD HAS ETHICS CRISIS

In 2014, **Bulldog Ford** was a small dealership (95 fulltime employees) in South Georgia. The dealership had two main functions, selling and servicing vehicles. The service department had seventeen technicians, **two service advisors**, and one service manager. The service manager reported to the owner and general manager of the dealership, **Woof Barker**.

Woof's father started the dealership in 1979. In 2005, Woof became the general manager after his father and brother died in a car accident. His brother had worked for his father since high school and planned to take over the business when his father retired. Woof is a CPA with an MBA in accounting from Georgia Southern University. Unlike his brother, Woof was never interested in the family business. He couldn't wait to move to the big city after graduation in 1994. He was a partner for a midsized accounting firm in Atlanta until 2005. Woof reluctantly took over the family business out of respect for his father and brother. He believed that his work experience was sufficient to run the dealership.

Managing Bulldog Ford was a challenge since 2005. Just as Woof was starting to get a handle on running the dealership, the economy declined drastically. By 2009, new car sales had declined 60% from the sales in 2005. Woof knew that the dealership would be out of business if revenues did not increase soon. In late 2009, Woof offered incentives to encourage commissioned salespeople to reach their goals, but sales continued to decline in 2010. Unemployment in South Georgia on 6/30/10 had been over 12 percent for 34 months.

Woof decided to focus on the service and parts department after learning that for the average dealership, only 30 percent of gross profits come from new car sales while 50 percent of gross profits come from service and parts. He enlisted the advice of a well-known motivational coach in Atlanta. Woof rarely visited the service department, but based on the coach's advice, he began walking through the service department several times a day, reminding the service employees to "do whatever it takes to make a sale." On 7/15/10, Woof told the service advisors that the dealership was on the brink of bankruptcy. He explained that he could not afford to keep both advisors. On 8/30/10, Barker would fire the advisor with lower sales.

Barker devised an incentive system that paid mechanics a smaller hourly wage for the first 30 "flat-rate" hours of labor, but paid them large performance bonuses for exceeding quotas. Technicians who averaged less than 40 "flat-rate" hours per week would be terminated after one warning. Technician productivity was reviewed on the first of every month. Technicians had one month to meet their quota after the formal warning.

The service manager reported to Woof Barker. Like most dealerships, technicians at Bulldog Ford were paid using a **flat-rate pay system**, meaning technicians are paid by the job (repair). The dealership uses a commercially available reference guide to determine the amount of time needed to do general repair work. If the job is estimated

to take three hours based on national statistics, the technician is paid for three hours, **regardless** of how much time it actually takes. For instance, if the job is estimated to take an hour but requires a particular technician three hours, the employee is paid for only **one** hour. However, if the job takes a particular technician only 30 minutes, the employee **still** receives an hour's pay. For technicians who work quickly and efficiently, a flat-rate pay system can be lucrative. Bulldog Ford paid \$40 per flat-rate hour.

Surveys show that people believe that “aftermarket” shops (shops not linked to dealerships) are almost twice as likely to complete service faster and offer more competitive prices compared to dealership service departments. In 1980, there were about 30,000 dealerships around the country; in 2012 there are only 17,000. Strong franchise laws still give dealers a virtual monopoly on selling new cars. Less than 5% of dealerships have only one location. Most dealerships are part of a large company. AutoNation, the country's biggest chain, has 290 locations. Penske Automotive has 201 locations, and Group 1 Automotive has 156.

Automotive Service Advisor Job Duties

- Greeting customers and scheduling service appointments
- Describing customers concerns and comments
- Writing service orders and descriptions of problems and repairs
- Translating customers' repair problems into standard repair terminology
- Explaining repairs to customers
- Test-driving vehicles to confirm service repairs
- Estimating the cost and time needed for repairs
- Handling customer complaints

Woof was ecstatic when sales improved almost immediately after his pep talks and change in technician compensation. He felt terrible having to fire the lower performing service advisor (Bulldog Ford employee since 1986) and three technicians (Bulldog employees for 10 years or more). However, the service department had never been so productive. In fact, he soon had to hire another service advisor and four additional technicians. Woof explained that desperate times called for desperate measures.

Unfortunately, his happiness was short-lived. On 9/15/12, Woof learned that his service advisors and several technicians had charged customers for parts that weren't installed and for labor not performed. Several customers filed complaints with the State of Georgia stating Bulldog Ford employees lied about needed repairs, and two customers have contacted lawyers. The local newspaper posted stories about the complaints so the whole town soon learned about the unethical behavior.

Woof was stunned and hurt by the unethical actions of his employees. He couldn't believe that they would betray him and his father's memory. He immediately fired the service manager but knows he has to do more. His motivational coach suggested that he talk to an HR expert (you!). Woof didn't think a small business like his needed to worry about HRM. He used a payroll service but left most of the HR duties (hiring, firing, training) to his managers (sales and service).

Assume you are advising Woof. Answer his questions regarding his HR problems (1000 – 1200 words). Consider that he is a smart accountant but knows little about HR practices. Cite concepts to support your arguments. He needs to UNDERSTAND the basis for your opinions. Define or explain terms that probably would be unfamiliar to a “reasonable” layperson. Focus on what is most important given the limited number of words. Here are his questions for you.

Woof's questions:

- 1. How could this happen?**
- 2. Why would my employees behave so unethically?**
- 3. What can I do to prevent this in the future (assuming my business survives)?**
- 4. Do you have other recommendations?**