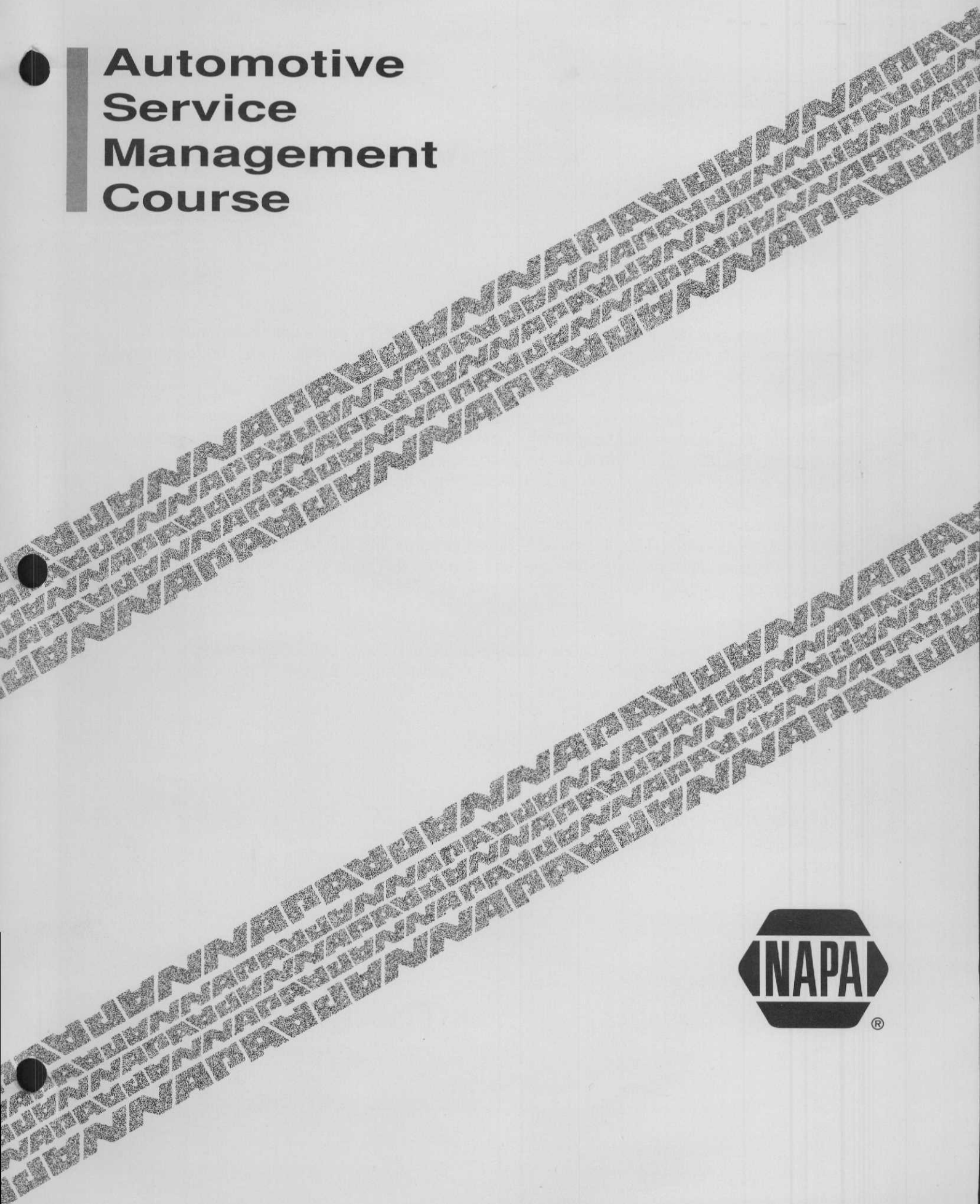


**Automotive  
Service  
Management  
Course**





**National Automotive  
Parts Association**

2999 Circle 75 Parkway  
Atlanta, GA 30339  
404-956-2200

Dear Automotive Service Owner/Manager,

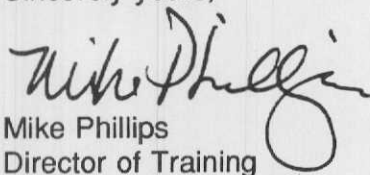
We at NAPA appreciate the relationship we have had over the years with independent automotive service centers. Your dedication to the auto service business has, quite literally, helped keep our nation's cars and trucks running.

This is a challenging time for the repair industry. Maintaining and repairing vehicles has become far more complex and customers more demanding. A sluggish economy, increased competition, the difficulty of finding well-trained technicians, the need for expensive equipment, consumer concern over fraud—all make it harder for you to operate a successful business.

We recognize that businesses like yours seldom fail for lack of technical know-how or dedication to hard work. The difference between success and failure, break-even or profit, frequently is a result of business management know-how. This is why we at NAPA have built a management education tool especially for you—the *NAPA Automotive Service Management Course*.

We are providing this course because we believe it can help you succeed in today's competitive environment. We hope you enjoy the course and that it will help your business thrive and prosper in the years ahead.

Sincerely yours,

  
Mike Phillips  
Director of Training

## THE NAPA AUTOMOTIVE SERVICE MANAGEMENT COURSE

The *NAPA Automotive Service Management Course* is a series of self-study booklets written to help owners/managers of independent service repair centers better control their businesses.

While the course has been designed as a management tool, some of the topics may also be useful to your technicians or other employees. Please feel free to assign booklets to anyone in your business who could benefit from them.

The course covers three broad management areas—sales and marketing, personnel, and financial management. This initial package includes six booklets, two for each key area. Over the years, we plan to add booklets in response to your requests for ongoing management education. The introductory package includes the following booklets.

### **Sales & Marketing**

- Serving Your Customers
- Handling Customer Challenges

### **Personnel Management**

- Recruiting Employees
- Selecting New Employees

### **Business Management**

- Working with Financial Statements
- Analyzing Productivity and Efficiency

While these brief booklets cannot take the place of more extensive management training seminars, we believe that you will find them an excellent starting point for improving your management skills.

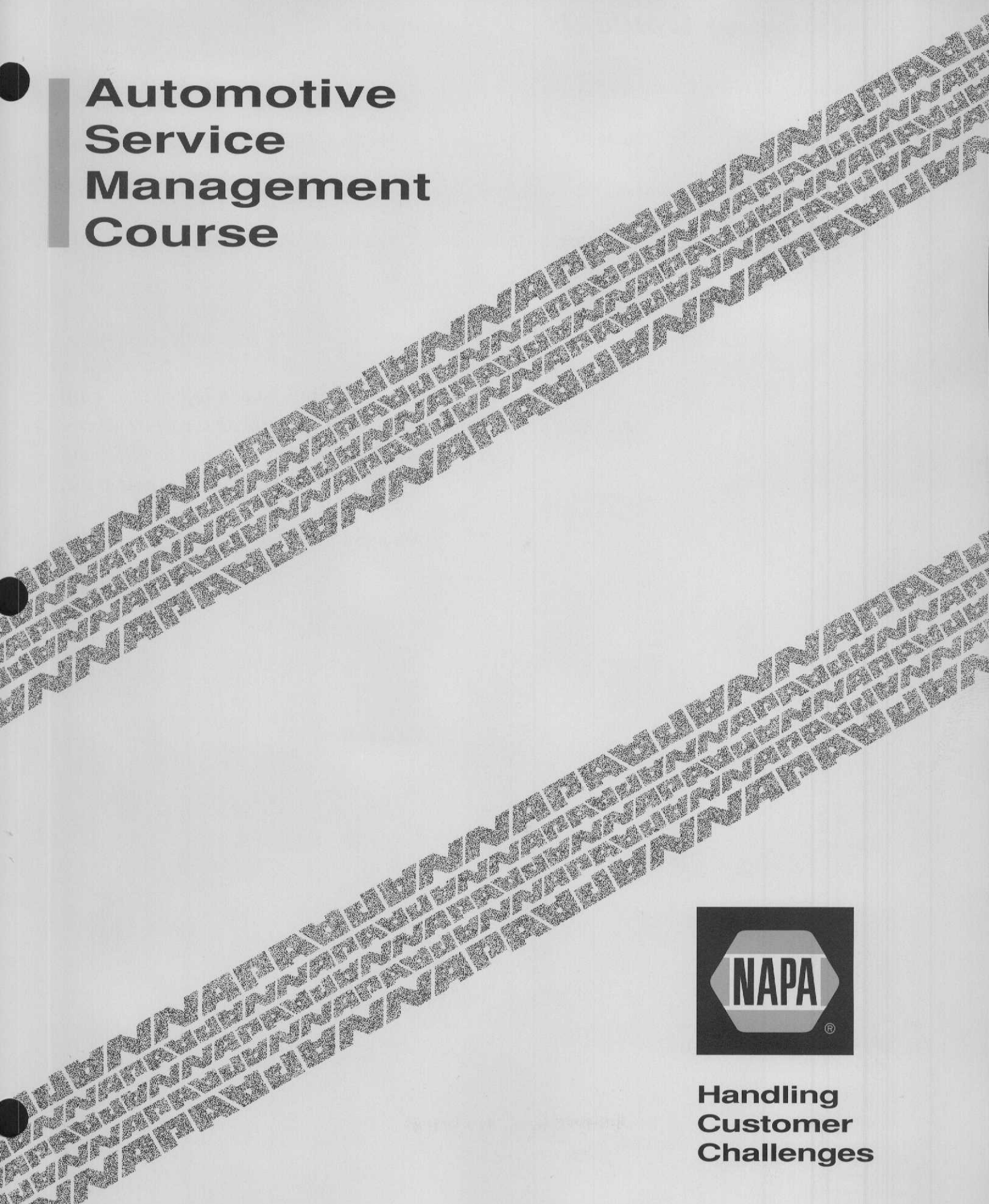
- Since the booklets are self-study, you can take them anywhere and pick the time that best fits your own busy schedule.
- The quick-read format allows you to make best use of your time.
- The booklets introduce a topic and can help you decide if you need more extensive training.
- You can offer the booklets to key employees as part of their training.
- You can tailor future booklets to your needs by helping NAPA decide which topics should be added to the series.

We hope you enjoy this series and will let us know how we can continue to help you grow and develop as a business manager.

## HOW TO USE THIS COURSE

- 1 View the introductory segment on the videotape. Listen as four automotive service owners discuss some of the challenges you mutually face in today's competitive environment.
- 2 Begin this course anywhere you'd like. For example, if you are planning to hire a new technician, you might want to start with Personnel Management. If you are concerned about the profitability of your business, read the Business Management topics. Or, if you want to improve customer relations, complete the Sales & Marketing booklets.
- 3 Once you've selected an area, play the videotape again. Fast-forward the tape, as necessary, to find the area you've chosen. Listen as the same owners who appeared in the introductory segment discuss their views on each area. The videotape is arranged as follows.
  - Segment 1. Program Introduction (used in step 1)
  - Segment 2. Sales & Marketing
  - Segment 3. Personnel management
  - Segment 4. Business Management
- 4 Read the booklet(s) you've chosen. As you read, write your answers in the spaces provided. While it is tempting to just "think" a response, writing down the answer will help you retain the learning much longer. Don't worry if your answer differs slightly from ours. That only means that there may be two good explanations—yours and ours.
- 5 Repeat steps 3 and 4 for other areas of the course.
- 6 After completing the booklets that interest you, we invite you to return the enclosed course evaluation form. Let us know what you think of the program and what topics you'd like to see covered in future editions.
- 7 Once we receive your course evaluation form, we'll send you a certificate, recognizing your completion of the *NAPA Automotive Service Management Course*.

**Automotive  
Service  
Management  
Course**



**Handling  
Customer  
Challenges**

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*A lot of people come into your shop with a chip  
on their shoulder because they've been abused elsewhere.  
It's tough to get across that we're different.  
You have to earn their trust.*

Automotive service owner, West Chester, PA

Created and produced by  
Golle & Holmes Custom Education  
Minneapolis, MN 55431

# *Activity 1. When Customers Say No*

Communication is the key to good customer relations. When you and your employees listen to the customer and practice the communication skills that are outlined in the booklet *Serving Your Customer*, you'll hear fewer no's. But, there will always be some customers who, no matter how well you treat them, will have negative attitudes. This booklet is designed to help you handle those customer no's in a positive manner.

Your customers constantly put up barriers that may keep you from providing the kind of quality repair service you'd like to give. You suggest some type of preventative maintenance; they reject or postpone the service. You recommend a high quality part; they opt for the less expensive one. You ask them to bring in their car in the morning; they show up at noon and still expect their car to be ready by 5:00.

Typically, people in the automotive repair industry view such situations in purely negative terms. Many owners and technicians go out of their way to avoid conflicts with customers.

So they may not suggest preventative maintenance, even though it is needed. They may not recommend the higher quality part, even though it will provide longer life and save the customer money over the long run. They may try to cram a late arrival into an already overbooked afternoon, even though it could mean taking less time than they should to diagnose the problem.

Is it any surprise that, in the end, such efforts to avoid conflict can produce the opposite effect—unhappy customers?

This workbook takes a positive approach to customer barriers—viewing customer no's as opportunities. The focus is on some time-tested techniques for managing customer obstacles, handling dissatisfied customers, and increasing your sales.

## *Obstacles as opportunities*

Instead of looking at customer no's as purely negative moments, think of them as opportunities. Opportunities to

- Educate your customers about the value of preventative maintenance or using higher quality parts.
- Explain your situation to your customers and help them understand your policies and the reasons for them.
- Enhance your professional image.
- Discover your customers' attitudes and expectations.

- Overcome their resistance.
- Turn a dissatisfied, even angry, customer into a loyal supporter.

**Question 1.** Name one other way in which a customer barrier may be an opportunity.

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**Answer 1:** If you educate your customers, explain your situation, enhance your professional image, discover their attitudes, overcome their resistance, and turn a dissatisfied customer into a happy camper, surely you will

- Boost sales.
- Earn repeat business and referrals.

### ***Why customers say no***

There are perhaps as many reasons why customers put up barriers as there are customers. But overlooking the fact that some people are just hard to deal with, typically customer resistance can be classified as indifference, concern, or skepticism.

**Indifference.** Indifferent customers are satisfied with things as they are. They just don't see a need to do the preventative maintenance today, to use a higher quality part, or to bring their car in on time. You crack through their indifference by asking questions to find out what problems they have been experiencing. Then, you explain why your recommendation will solve their problems.

**Concerns.** Concerned customers don't like something about a product or your service. For example, they might object to the price or the labor charges. You overcome their concern by explaining how the price they pay for a particular part or service pays off over the long run.

**Skepticism.** Skeptical customers doubt that what you say is true. Many (perhaps most) of your customers are illiterate when it comes to their own car. Unfortunately, some of your customers may have run into (or heard tales about) automotive service shops that took advantage of customer ignorance. Burned that before, they are afraid that you may take advantage of them. You overcome such skepticism by explaining how your shop operates and proving that you are trustworthy.



**Question 2.** Read what each customer says below. Mark (I) if the customer is indifferent, (C) if the customer is concerned about something, (S) if the customer is skeptical, or (?) if you don't yet have enough information to know.

- ( ) a. "Replace only the one belt today. I know the other belts are a little cracked, but I don't have time to wait while you replace them all."
- ( ) b. "All batteries are identical. You guys just charge more for some of them. Give me your least expensive battery. That'll be fine."
- ( ) c. "I don't think I need a lube job. Just change the oil."
- ( ) d. "I'm leery of remanufactured parts. I don't think they'll perform as well as the original equipment."
- ( ) e. "I know I was supposed to get here in the morning, but can't you squeeze me in this afternoon? I need the car by 5:00."
- ( ) f. "Not today. Maybe next month."
- ( ) g. "How much? That's pretty steep. I can do it myself a lot cheaper."

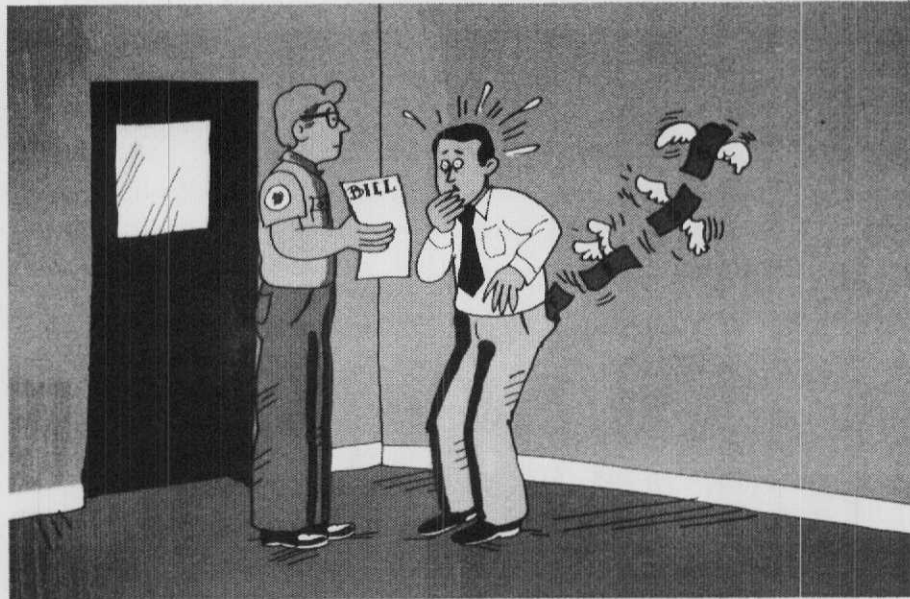
**Answer 2:** The customer is

- a. Concerned—no time today.
- b. Skeptical—thinks service repair shops deliberately overcharge.
- c. Indifferent—sees no need.
- d. Skeptical—doesn't believe the quality is the same.
- e. Concerned—doesn't want to wait.
- f. You don't know yet.
- g. Concerned—about the price.

### ***The next step***

Even though people have many varied reasons for saying no, after finding out what disturbs them, your next step is the same. The next activity shows you how to overcome their no's.

## Activity 2. Managing Customer Obstacles



Often you miss sales opportunities because you anticipate that the customer will raise concerns, be indifferent, or be skeptical and doubt your word. But such customer obstacles can be overcome. When customers understand what is needed and why, they can appreciate the value of the work you've done for them.

### *Overcoming obstacles*

Customers put up obstacles to a sale in many different ways. A puzzled look. A negative shake of the head. Walking away. Saying something vague like

"Not today, maybe next time."

"I can't afford it."

"I don't have the time."

To overcome these obstacles take the following steps.

Managing customers obstacles		
1 Find out the real obstacle.	2 Explain the problem and your solution (features and benefits).	3 Ask for the business.

**Find out the real obstacle.** To overcome a customer's concern, you first need to know why the customer is saying no. A rejection like, "Not today," doesn't tell you much about why the customer doesn't want a repair. Perhaps the customer is resisting the added expense. Maybe he doesn't like something about the way he's been treated at your shop. Or possibly he just doesn't have the time today. You really don't know why he's resisting until you ask questions.

**Open questions** give customers a lot of freedom to tell you their concerns in their own words. These are questions that cannot be answered by *yes*, *no*, or a one-word response. They often begin with *how*, *why*, or *what*.

**Closed questions**, in contrast, may narrow down the range of answers because they can usually be answered with *yes*, *no*, or a one-word response.

**Question 1.** Identify if the following questions asked by the technician are open or closed.

	Open	Closed
Customer 1: "Not today. Maybe next time."		
Technician: "Why do you want to wait for the repair?"	( )	( )
Customer 2: "I can't afford it."		
Technician: "O.K. What would you like me to do?"	( )	( )
Customer 3: "I don't have the time."		
Technician: "Would next week be better for you?"	( )	( )

**Answer 1:** The first two questions are open. The third one is closed. Notice how open questions give customers a lot of room to tell you what is on their mind. Of course, they don't always open up and tell you what they're thinking. Nevertheless, open questions may help you discover more about their concerns.

**Explain the problem and your solution.** Often when customers are concerned about a repair job that you recommend, they are really saying, "I don't trust you. This isn't needed. I'm afraid that you're trying to rip me off."

You need to carefully explain why they have been (or could be) experiencing problems with their vehicle. Then, explain what you will do to solve their problem and how they will benefit by having this repair job done now.

In explaining the situation, don't get too technical. Whenever possible, use charts, graphs, or worn parts to show what is happening to their vehicle and why a repair is needed. make sure you aren't just talking features. Explain the **benefits**.

Remember, features describe things. Benefits, on the other hand, tell the value of your recommendations to the customer—saving money, saving time, improving performance, safety, and convenience.

**Question 2.** In the conversation below, the technician explains why the customer should let the shop do an additional repair. Underline the benefits.

Customer: "The belts are fine. Just change the oil."

Technician: Opening the hood and showing the customer the worn belt. "See those cracks. They're caused by heat. In this condition, there is a chance that the belt will break. If that happens, your battery will run down and your car will stop. If we put on a new belt now, we'll save you the time and aggravation of breaking down. You will be able to rely on your car when you need it."

**Answer 2:** The technician offered three benefits.

Technician: ". . . and your car will stop. If we put on a new belt now, we'll **save you the time and aggravation** of breaking down. You will be able to **rely on your car** when you need it."

**Ask for the business.** Conclude by asking permission to go ahead with your recommendation.

**Question 3.** What question might you ask in the situation above to see if the customer is willing to let your shop change the belt?

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**Answer 3:** You might ask a closed question like, "Can I change the belt for you today?" Or, you could ask an open question like, "How do you feel about having the belt changed today?"

**Question 4.** Read the following conversation and decide if the skills for overcoming obstacles are being used properly. Also, decide what you would have done in this situation.

Technician: "We could replace the brake pads for you again, Mr. Jones, but I can't guarantee that another set will correct your pulsating pedal. I recommend that

we take a look at the rotors and either resurface or replace them and install new pads.”

Customer: “I don’t think so. Just replace the pads.”

Technician: “I know you are not happy with the way your car is braking now. If we resurface or replace the rotors and replace the pads, I will guarantee it will solve the problem. What do you say?”

Customer: “Not today.”

a. Did the technician find out the reason for the customer’s concern?

( ) Yes

( ) No

b. What question would you have asked after the customer said, “Just replace the pads”?

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c. Did the technician explain the situation?

( ) Yes

( ) No

d. Assume the customer is concerned about the price. What would you say to show why this repair is worth the cost?

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e. Did the technician ask for the business?

( ) Yes

( ) No

- f. How would you have asked for the business?

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**Answer 4:** The technician did not follow all the steps for overcoming the customer's concern.

- a. No, he did not find out the reason for the customer's concern.
- b. You might ask a question like, "What's your concern?"
- c. The technician did not explain the problem and his solution. He asked the customer to trust his personal guarantee.
- d. You could compare the cost (and frustration) of replacing the pads several times with the cost of doing the job right the first time.
- e. The technician did not directly ask for the business. Instead, he asked in a rather backhanded way, "What do you say?"
- f. You could ask a more direct closed question like, "Can I go ahead and do that job for you today?"

### ***Conclusion***

Good communication and basic customer courtesy can help you avoid many misunderstandings and complaints. When dealing with customers, be sure to follow these guidelines.

- Always let your customer know what is happening.
- Avoid using technical terms that customers may not understand.
- Notify customers early in the day of any expected delays so they won't have any "5 o'clock surprises."
- When a customer misses an appointment, call to reschedule at some later time.

Managing customer obstacles pays off—and shows up year after year on your bottom line. The next section shows you how you can handle even the most difficult customer successfully.

## *Activity 3. Handling Dissatisfied Customers*



Like it or not, there will always be dissatisfied customers—people who are unhappy, perhaps even angry, about something. You may have done everything right, but for some reason, the customer isn't pleased.

When this happens, you want to satisfy the customer as quickly as possible. It doesn't really matter who was right and who was wrong. The important thing is to clear up the situation and keep that customer's business.

### *Establishing lines of authority*

The first thing you need to do to handle complaints is establish lines of authority. Nothing irritates a customer more than being referred from one person to another and explaining their problem over and over.

If the customer does tell his complaint to someone who is not able to take care of the problem, make sure that person writes down the details of the complaint and reports to someone who is in charge.

## Handling the complaint

One tried and true method of handling angry customers is to follow these steps.

Handling dissatisfied customers					
1 <b>Find out</b> the reason for the dissatisfaction.	2 <b>Summarize</b> the complaint (check for acceptance).	3 <b>Explain</b> your solution.	4 <b>Correct</b> the problem promptly.	5 <b>Follow up</b> (recheck for acceptance).	6 <b>Ask</b> for future business.

**Find out the reason for the dissatisfaction.** Angry customers need to vent; they need someone to talk to. Never argue with an irate customer. Listen to the complaint. Then ask questions.

**Question 1.** Read the following situation. The customer, Mr. Nelson, is calling the day after your shop replaced his windshield wiper pump. He is furious. Does the shop owner ask questions to find out why the customer is angry?

- ( ) Yes  
( ) No

Customer: "I just spent over \$100 in your shop and still have the same problem! Did you people even look at my car?"

Shop owner: "We certainly did, Mr. Nelson. I'm sorry that you're still having difficulties. What exactly is the problem?"

Customer: "The windshield washer doesn't work. It wouldn't squirt enough water to get the windshield wet. I could barely see driving to work this morning on the freeway. You said you fixed the problem. But, it's not fixed. And it's dangerous!"

**Answer 1:** Yes. The owner begins by asking questions to find out exactly what the problem is.

**Summarize the complaint.** Repeat what you heard, then check to make sure you heard the customer correctly.

**Explain your solution.** Tell the customer what you will do to correct the problem. Be aware of your legal responsibilities. Don't make promises you can't keep just to quiet a customer.



**Question 2.** Let's pick up where we left off with the same situation. What, if anything, could the owner do to improve this approach?

Shop owner: "If you can bring your car back in, we'll remove the pump and find out what the problem is. I'm sorry for the inconvenience. We'll make sure it's fixed for you. And there will be no charge for the additional work. If additional parts are required, I'll let you know before we do anything that might incur a charge. Would that be all right?"

Customer: "I guess it will have to do."

The owner fails to

- ( ) Summarize the complaint.
- ( ) Explain his solution.

**Answer 2:** The owner fails to summarize the problem and check to make sure he heard the customer correctly.

**Correct the problem promptly.** If the situation is not critical, you may want to schedule a time to fix the problem later. Remember though, you don't want to add to your customer's irritation by not attending to the problem in a timely manner. Use your own judgment.

**Follow up.** After correcting the problem, check back with the customer to make certain that everything is all right.

Shop owner: "Mr. Nelson, we tested the pump we installed and found that it was defective. I'm sorry about this. The technician did test the pump before your car left the shop, and it was working at that time. But it obviously was defective. So we've installed another pump, and it's working fine. I'm certain the problem is solved. But if you have any problems, we want to know. Is that okay?"

**Ask for future business.** If you have solved the customer's problem in a timely and courteous manner, you have earned the right to their ongoing business.

**Question 3.** In our situation, the shop retested the pump they had installed, found it defective, and replaced it. Later that week, the owner checks back with the customer.

Shop owner: "Mr. Nelson, this is Scott at Northtown Service. Is that washer pump we replaced for you giving you any problems?"

Customer: "No. It's working fine now."

How might you ask for future business in this situation?

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**Answer 3:** You might say, "I hope you'll remember us next time your car needs service."

### ***Conclusion***

The best way to handle dissatisfied customers, of course, is to make certain that everyone gets the kind of service they expect or better. The job aid on the last page of this workbook suggests a method for training all your technicians in the skills for managing customer obstacles. Taking time to train your people in better communication skills will help you retain customers and keep them coming back.

# Job Aid: Practice Handling Customer Challenges



You may want to train your technicians and service writers in the skills of managing customer obstacles and handling dissatisfied customers. Here's some suggestions as to how.

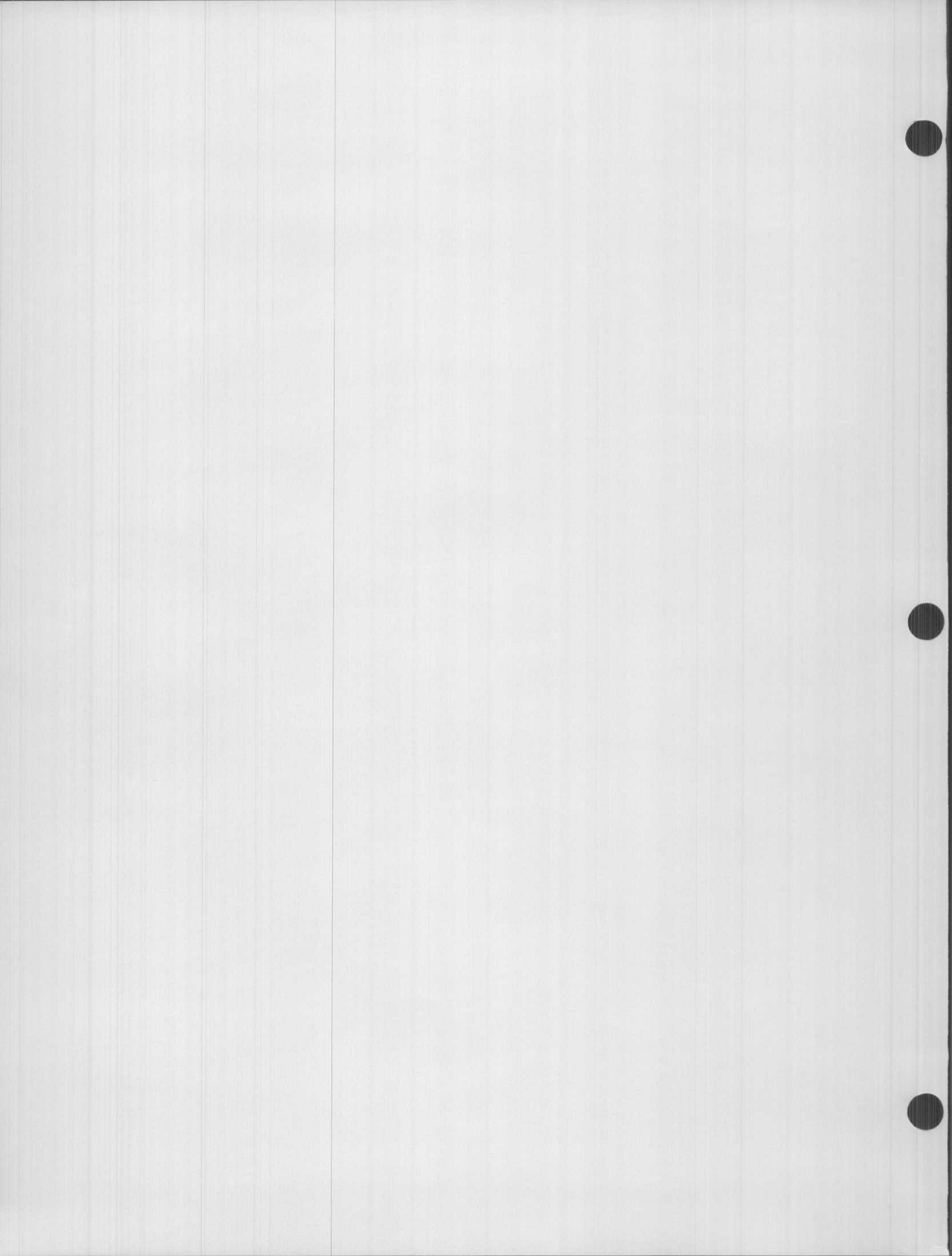
1. Duplicate the skill models below and give a copy to all your employees who interact with customers.
2. Role play managing obstacles. You be the customer who is indifferent, concerned, or skeptical. Let your employees take turns going through the steps for overcoming the obstacle.
3. Spend extra time practicing asking for the business. It's an easy step, but it is often forgotten.
4. Now role play handling dissatisfied customers. You be a customer who is upset about something. Let your employees take turns going through the steps for handling dissatisfied customers.
5. Spend time observing how your employees interact with customers on the job. When you see them following the steps outlined here, praise them. If they are not communicating clearly, encourage them to do so.

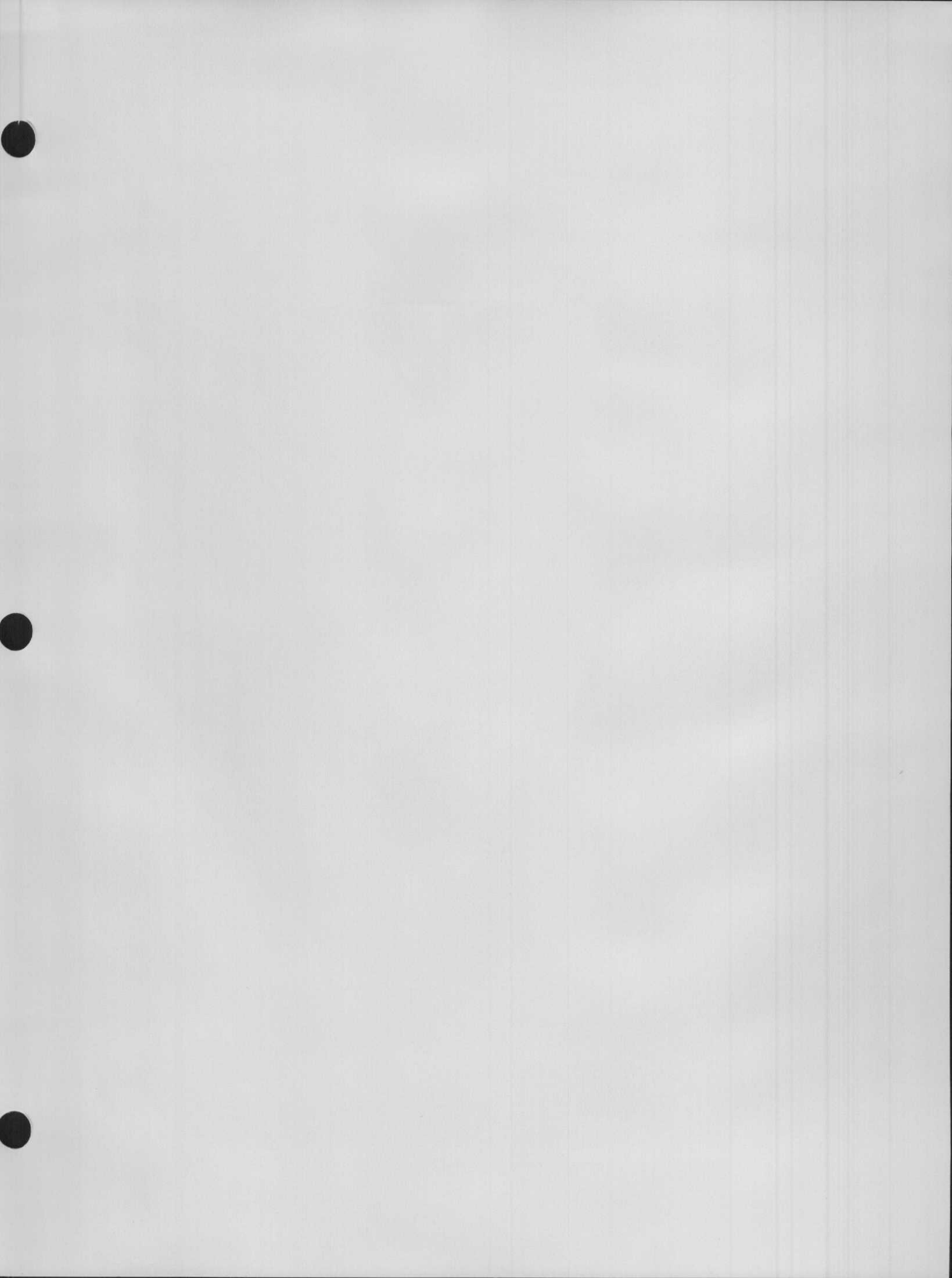
Managing customer obstacles		
1 Find out the real obstacle.	2 Explain the problem and your solution (features and benefits).	3 Ask for the business.

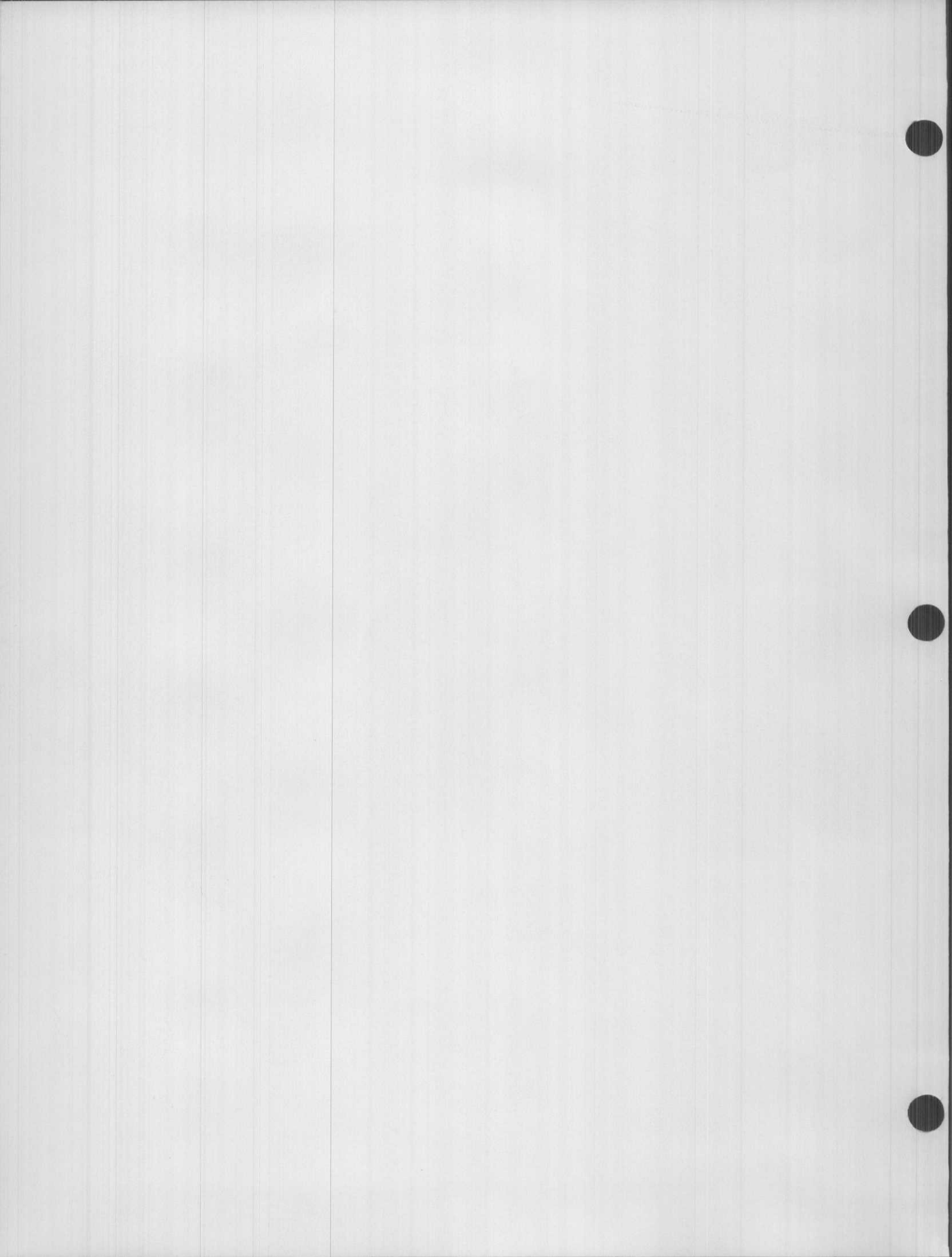
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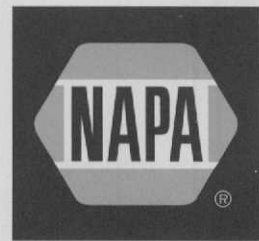
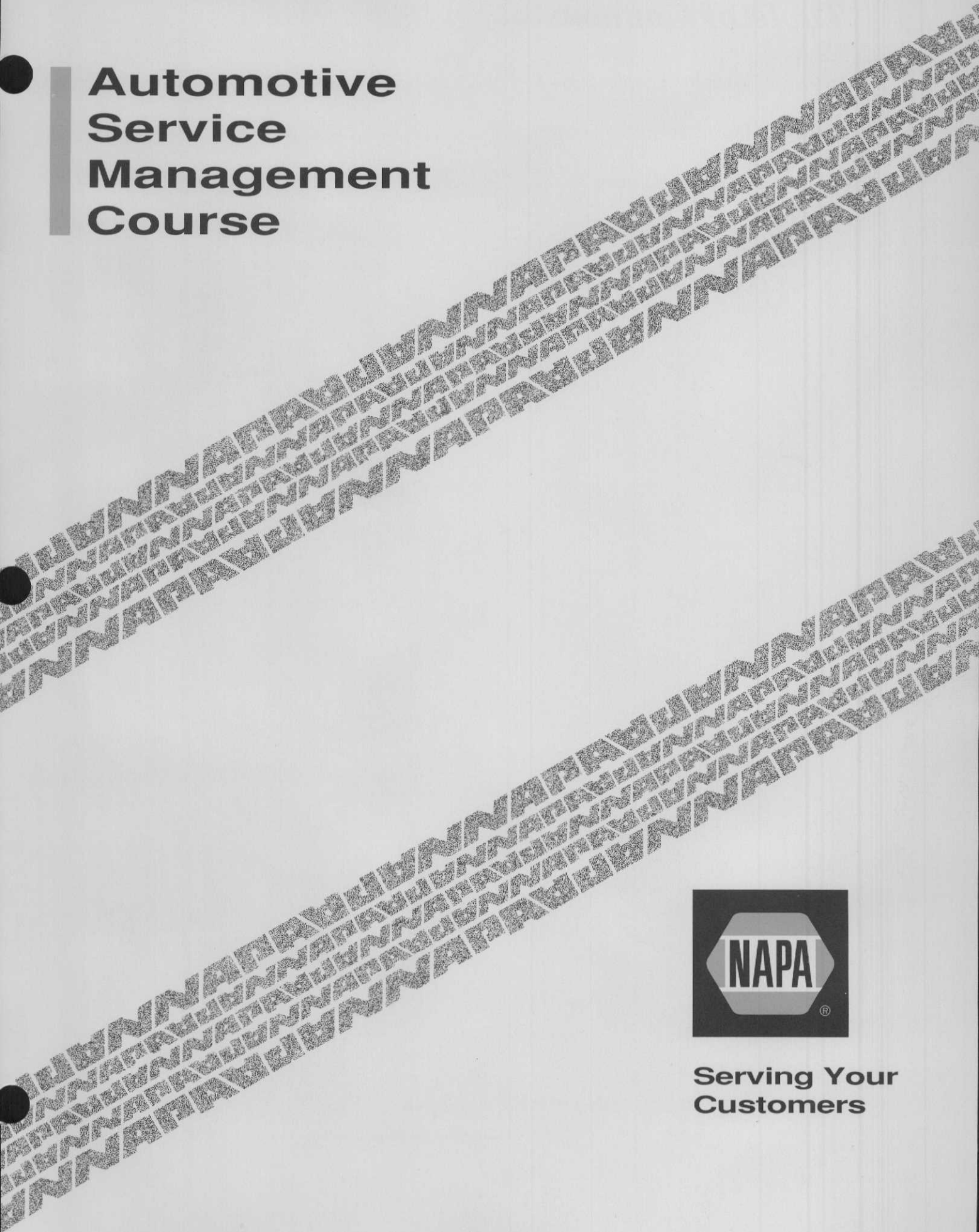








**Automotive  
Service  
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**Serving Your  
Customers**

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*Customers want a lot more from you  
than just getting  
their car fixed.*

Automotive service owner, St. Paul, MN

Created and produced by  
Golle & Holmes Custom Education  
Minneapolis, MN 55431

## Activity 1. What Is Customer Service?



“If it weren’t for the customers, this would be a great place to work!”

Serving your customers. Providing quality repairs. Communicating with customers. Answering the phones promptly and courteously. Projecting a professional image. These are more than just friendly gestures. Customer service ensures that your business will survive and prosper in today’s competitive environment.

Think about how much it costs just to get a customer to call or come to your shop. Losing that customer through poor service is more than the loss of advertising/promotion dollars. It can also mean losing a lot of other people you never met—all the friends and acquaintances of your unhappy ex-customer.

If you really listen to your customers, take time to explain what is wrong with their car, and go out of your way to show them that you value their business, they’ll repay you in a way that counts—in a more productive, profitable business.

Yet sometimes, when you are up to your elbows in grease and nothing seems to be going right, it is easy to forget that customers aren’t an annoyance or an obstacle to a smooth-flowing business—they are the reason you are in business. Without them, your business is history.

***Why is good customer service so important?***

Whether you are a shop owner, a manager, or an employee, customer service has a very important effect on you. It can mean the difference between a profitable business and no business at all.

**Question 1.** State one reason why is it important to establish and maintain good customer service.

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**Answer 1:** Good customer service allows you to

- Attract business in the best way possible—by one satisfied customer telling someone else good things about your shop.
- Keep business in the shop.
- Enjoy free advertising—the advertising that comes by word of mouth.

**Question 2.** Clearly, good customer service is in the best interest of everyone. How does everyone benefit?

The owner/manager wins because \_\_\_\_\_

Your employees win because \_\_\_\_\_

Customers win because \_\_\_\_\_

**Answer 2:** Customer service is truly in everyone's best interest because everybody wins.

- For you, good customer service means a profitable shop.
- For your employees, it means job security.
- For the customer, it means turning a possibly unpleasant event (a car repair) into a pleasant one.

### ***You set the tone***

Even though it is in the best interest of everyone to provide good service, some of your employees may not care as much as you do about quality service. How do you get your employees to be concerned about good customer service?

As the owner or manager of an automotive service center, you set the tone for good customer service. Your employees will take the lead from you. If you don't set the example, you may find that nobody in your shop is really concerned about the customer. As a result, your business may rapidly deteriorate.

### ***Who decides what is good customer service?***

In the end, customer satisfaction is decided by the customer. You and your employees can provide good service, but ultimately it's the customer who decides whether or not your service is adequate. And customers today have high expectations when it comes to service.

The rest of this workbook looks at how you can better serve your customers and exceed their expectations in three areas

- Quality repairs
- Telephone courtesy
- Projecting a professional image.

## ***Activity 2. Providing Quality Service***

Customers want better and more complete service—timely, complete repairs at a fair price. They certainly don't want to drive out of your shop only to have their car break down on the highway with another problem.

So most customers want you to check their vehicles for needed repairs, even when they don't ask for this extra service. They want you to make professional recommendations on how they can keep their car at peak performance. In other words, they want you to show them what they need and provide them the products and services that fill those needs.

This activity focuses on the interaction between you and your customers (rather than the quality of the repair itself). Customer interactions, like quality repairs, are essential to good customer service.

### ***Communicating about your service***

Good communication is essential in our business. Perhaps more so than in many other businesses. Why? Because you deal with customers who may not understand what you do. Therefore, you must explain repairs in simple, everyday terms that your customers can understand.

There are three important times during the course of a repair job when it's essential to communicate clearly with customers

- First, when diagnosing the problem.
- Next, when getting authorization for the repairs.
- And, finally, when delivering the job.

The charts below outline the steps you might take at each stage.

<b>Diagnosing the problem</b>		
1 <b>Record symptoms.</b>	2 <b>Explain procedures.</b>	3 <b>Analyze problems.</b>

<b>Getting authorization</b>			
1 <b>Explain problems.</b>	2 <b>Explain solutions</b> (features and benefits).	3 <b>Provide an estimate.</b>	4 <b>Ask for the business.</b>

<b>Delivering the job</b>	
1 <b>Provide</b> old parts.	2 <b>Reassure</b> the customer.

### ***Diagnosing the problem***

When a customer brings a vehicle into your shop for repairs, you have your first opportunity to provide quality service through good communication.

**Record symptoms.** Very often customers come in and say something like, "I need a tune-up." They may very well need a fuel injection system or electronic engine control check-up, but they may also be having other problems. They may not be aware that the symptoms they describe could fit an array of other problems as well. Always record symptoms, not solutions. If the customer doesn't volunteer symptoms, ask what the car is doing. Recording solutions only (and not symptoms) can lead to doing the wrong work. And that leads to low productivity and an unhappy customer.

**Question 1.** Mary comes into the shop to have routine maintenance on her car. From the conversation below, does the technician record

- (    ) symptoms or  
(    ) solutions?

Technician: "Hi, Mary. What can we do for you today?"

Customer: "It's time to have the oil changed, and I think I need new spark plugs, too."

Technician: *Writes down OIL CHANGE.* "Why do you think the spark plugs need to be changed?"

Customer: "Well, I heard an ad on the radio that said changing the spark plugs helps maintain good mileage. My mileage has been dropping lately."

Technician: *Writes down MILEAGE DROPPING.* "How has the engine been idling?"

Customer: "It's been a little rough."

Technician: *Writes down ROUGH IDLING.* "How's it been starting?"

Customer: "I'm glad you asked. It's been really hard to start lately. Could it be the battery?"

Technician: *Writes down HARD STARTING.* "I'll check it out. Anything else?"

Customer: "I can't think of anything."

**Answer 1:** The technician records symptoms. He'll use this information to analyze and solve the problem with Mary's car.

**Explain procedures.** Now let the customer know what to expect next. For example, if you charge for diagnostic time, explain that policy. If you will call for an authorization, explain when the customer might hear from you. Customers feel much more comfortable with your shop if they understand your policies and procedures in advance.

**Analyze problems.** When you are getting information from your customer, don't jump to conclusions. While the customer is talking, you probably have some assumptions about what the problem may be, but wait to verify your assumptions. Try not to put words into your customer's mouth. Let customers explain the problem in their own words. That way, you'll be sure that the information on the work order is correct. After the customer leaves, you can carefully inspect the vehicle and analyze any problems.

### ***Getting authorization***

Your next opportunity to provide quality service through good communication is when you seek authorization for the job.

**Explain problems.** Tell the customer what you found and why it needs to be repaired.

Technician: *(On the phone)* "Mary, this is Tim at Beman's Service Center. I've been working on your car, and I want to tell you what I found. First of all, your battery's okay. But you do need a tune-up."

**Question 2.** Did the technician explain the problem with Mary's car adequately?

Yes

No

What would you have said in this situation? \_\_\_\_\_

\_\_\_\_\_

**Answer 2:** No, he doesn't explain the problem. He could have said something like this.

Technician: *(On the phone)* "Mary, this is Tim at Beman's Service Center. I've been working on your car, and I want to tell you what I found. First of all, your battery is okay. But we found your injectors need cleaning, and



you could use a new set of plugs. That's been causing your hard starts, low mileage, and rough idling as well."

**Explain solutions.** Because vehicles and systems are becoming very complex, it's always helpful to use a visual aid to explain the job when you're face to face with the customer. Whenever possible, include diagrams, displays, actual parts, or models of the vehicle system.

By explaining the solution, you're telling the customer how you'll solve the problem. To do this, discuss **features** and **benefits**.

**Features** describe things. They tell what something is.

**Benefits** answer the question, "So what?" They tell what the feature will do for the customer. Benefits generally relate to saving money, saving time, improving performance, safety, or convenience.

**Question 3.** Read and identify each statement as a feature or a benefit. The first two are marked for you.

	<b>Feature</b>	<b>Benefit</b>
a. This battery is maintenance free.	( ✓ )	( )
b. Because it is maintenance free, you'll never have to add water for the life of the battery.	( )	( ✓ )
c. We use only quality repair parts.	( )	( )
d. Remanufactured parts typically cost less than new parts, yet are still quality controlled.	( )	( )
e. We have the latest engine analyzers.	( )	( )
f. We're running a special on oil changes that will save you \$5.	( )	( )
g. I recommend that you replace those brakes now before they fail and perhaps cause an accident.	( )	( )
h. Don't worry about getting to work or picking up your car at the end of the day. We offer free rides to and from work at any downtown location.	( )	( )
i. You still need new spark plugs, Mary.	( )	( )
j. A tune-up also includes some other adjustments to your engine that will improve your car's performance and can get you better mileage.	( )	( )

**Answer 3:** Remember, **features** describe things; **benefits** say what that means to the customer.

- a. Feature
- b. Benefit—convenience
- c. Feature
- d. Benefit—save money
- e. Feature
- f. Benefit—save money
- g. Benefit—safety
- h. Benefit—save time, convenience
- i. Feature
- j. Benefit—better performance

**Provide an estimate.** Always call the customer and provide an estimate for any additional work you recommend.

**Ask for the business.** After explaining what you found, why it needs to be fixed, and the cost for the repair, ask for the job. Very often this easy step is forgotten.

Technician: “You still need new spark plugs, but a tune-up also includes some other adjustments to your engine that will improve your car’s performance and can get you better mileage. We’re running a special that includes installing spark plugs, inspecting ignition wires, checking air and breather filters, and checking your timing for \$59.95 plus parts. That’s \$10 off our regular price.”

**Question 4.** Did the technician ask for authorization for Mary’s tune-up?

- ( ) Yes
- ( ) No

**Answer 4:** No, he failed to ask for the job. He could have said, “Can I go ahead and tune up your car?”

### ***Delivering the job***

Once the repair job is complete, you have a final opportunity to provide quality service through good communication.

**Provide old parts.** When you’re through with the job, be sure to save the old parts whenever possible. Offer the parts to the customer when he or she comes to pick up the car. This lets you show your customers that you did the work and why it was done. It’s another way to build confidence.

**Reassure the customer.** Providing old parts is one way to reassure customers about the quality of your service. Customers are also impressed when you exceed their expectations by

- Explaining the warranty.
- Recommending routine maintenance procedures.
- Pointing out any future repairs that might be needed.
- Explaining symptoms to look for before a potential problem gets serious.
- Doing the little extras that mean so much—like vacuuming the inside of the car or running the vehicle through your car wash.
- And, of course, thanking them for their business.

### ***Underselling is a disservice to customers***

Customers want three things: timely repairs, complete repairs, and fair prices for quality work. Today's high prices have created a reluctance on the part of some service center owners to sell up by suggesting higher quality parts or more extensive repairs. They anticipate price objections if they suggest additional repairs or recommend quality parts. But, underselling is a disservice to customers, too.

**Question 5.** Name one reason why underselling is a disservice to customers.

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**Answer 5:** In the long run, underselling will cause dissatisfaction because the result is an incomplete repair job.

When customers understand why their cars need repairs, they will understand the value of that work. The techniques you just learned will help you show the customer the value of the work you suggest.

### ***The special needs of the do-it-yourselfer***

Many shops overlook do-it-yourselfers. They may come to you after they have attempted to fix their car, but for some reason have failed. They need the help you can provide. After all, the do-it-yourselfer offers you an opportunity to win a new customer by providing quality service.

**Question 6.** Assume that a do-it-yourselfer has just had his car towed into your shop. He's been working on his car trying to get it to start. He's already put in new spark plugs, spark plug wires, and a distributor cap, but it still won't start. You check the car and find the TDC sensor is bad.

State two opportunities that this situation presents for you.

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**Answer 6:** This situation presents several opportunities.

- To fix the problem by replacing the sensor.
- To check for related problems—for example, wiring harness.
- To do some related selling so the customer gets a complete job and saves money in the long run.
- To enhance your professional image by advising and guiding do-it-yourselfers, offering tips on how they might solve similar problems, and alerting them to potential problems and complexities.
- To maintain and attract business because a happy customer is apt to tell others about the great service and courtesy at your shop.

### ***The circle of satisfaction***

Providing quality service is a never-ending cycle. When customers are happy, employees feel good about working with them. And when you and your employees enjoy the customer, it shows—in more satisfied customers.

The circle of satisfaction starts even before your customers bring in their vehicles for repair. For example, it begins whenever your phone rings. The next activity looks at how you and your technicians can improve service through better phone communication.

## Activity 3. Telephone Courtesy

The telephone is the lifeline of your business. Without it, you probably couldn't remain profitable very long. Yet many owners and managers of automotive service centers pay little attention to how the phones are answered. This section looks at some of the things you and your employees might do after saying "hello."

### *Smiling*

When you're talking to someone in person, it's easy for them to see that you're listening and are professional in your approach to their problems. It is not as easy on the phone to project a professional image. But there are certain telephone "gestures" that make phone conversations sound courteous, yet businesslike. One of these gestures is a smile. A smile can be heard on the phone. If you don't believe us, repeat the following phrase two ways: first without a smile, then physically smiling while you speak. You can hear the difference.

"Good morning. Sam's Service Center. Can I help you?"

### *Improving telephone conversations*

The telephone is your link to customers. To make sure your telephone conversations are as courteous as possible, make sure to answer phones promptly (after no more than two or three rings) and take the steps below that can improve your communication with customers.

Better telephone conversations			
1 Identify yourself and the business.	2 Acknowledge the customer's comments.	3 Give clear information.	4 Summarize what you've heard.

**Question 1.** Read the following telephone conversation. In the parentheses write the step above (1, 2, 3, or 4) that is being followed.

( ) Technician: "Hello, Mr. Drake. This is Bill at Adam's Service Center."

Customer: "Hi, Bill."

( ) Technician: "I found the problem with your instrument panel. The only thing wrong was a malfunctioning temperature-sending switch that I replaced. That caused the engine light to stay on."

Customer: "Great."

( ) Technician: "With the switch replaced, you shouldn't have any more lights popping on to scare you. I checked everything else out and everything is working just the way it should. There's nothing wrong with the engine and the cooling system is fine, too."

Customer: "I appreciate your checking everything out."

( ) Technician: "You're welcome."

**Answer 1:** The technician takes the following steps.

- (1) First, the technician **identifies** himself and his business.
- (3) Then, he **gives clear information** about the problem.
- (4) He **summarizes** exactly what he did and the results.
- (2) He **acknowledges** the customer's compliment. (Remember, the customer can't see you smile or nod over the phone).

### ***Putting someone on hold***

When you're busy, it's tempting to ignore the basic rules of telephone courtesy, but you can't afford to. If the caller asks for someone who is busy, offer to help the customer yourself. If you have to put someone on hold, take three steps.

<b>Putting someone on hold</b>		
1 Explain the reason.	2 Ask for permission.	3 Check back until the call is taken.

**Question 2.** Read the following telephone conversation. What rules of telephone etiquette are violated?

Ring. Ring. Ring. Ring.

Technician: "Joe's Autobody, Tony speaking."

Customer: "Is Joe in?"

Technician: "I'll check." (Puts the customer on hold.)

Technician: "I can't find him. I guess he's at lunch."

Customer: "Oh. Okay."

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**Answer 2:** Four rings isn't prompt answering. Tony never offered to help the customer. He put the customer on hold without explaining the reason or asking for permission.

***Toward a more professional image***

Answering phones promptly and courteously helps you project a professional image for your shop. The tone of your voice and the way you respond to customers' inquiries can help convince strangers that they are dealing with professionals—people who care about them and their problems. It's the first step to turning strangers into valued customers.

The last activity in this workbook explores some other ways to build the professional image your shop needs today.

## Activity 4. Professional Image

The way your shop looks is an important part of customer service. If your business doesn't look good, you may not have as many customers as you'd like. Of course, your current customers know your work. But what about those new customers you want to attract? If your business creates a poor first impression, you may not get a chance to change it.

### *First impressions*

As the saying goes, you never get a second chance to make a good first impression.

**Question 1.** You've undoubtedly heard all this before about projecting a professional image. But, just for a moment, pretend you're a customer of your own shop. You've "let your fingers do the walking" and picked your own automotive service center from the Yellow Pages. Pretend this is the first time you've ever seen your shop. Rate what the customer would see at your place of business on a scale of 1 to 10.

	Very Poor									Very Good
Approach—grass and shrubs trimmed, driveway free of debris	1	2	3	4	5	6	7	8	9	10
Shop—identification, signs, uncluttered windows, ample lighting, parking	1	2	3	4	5	6	7	8	9	10
Customer waiting area—clean, uncluttered	1	2	3	4	5	6	7	8	9	10
Public restrooms—clean, well-supplied	1	2	3	4	5	6	7	8	9	10
Bays—clean and neat	1	2	3	4	5	6	7	8	9	10
Office—neat and tidy	1	2	3	4	5	6	7	8	9	10
Professional-appearing work orders and customer invoices	1	2	3	4	5	6	7	8	9	10
Appearance of manager	1	2	3	4	5	6	7	8	9	10
Appearance of employees	1	2	3	4	5	6	7	8	9	10

**Total your points:**



**Answer 1:** Add up your total points.

**90-100** Terrific. You are doing an outstanding job.

**75-89** Good. Pat yourself on the back for projecting a professional image.

**60-74** Not bad. A few improvements and your shop could be first rate.

**40-59** Sounds rather average. And who wants to be average?

**Below 40** The good news is that there is a lot of room for improvement. Where do you want to begin?

***How does image affect others?***

Customers form impressions of your business from everything they see. Obviously, if your business looks sloppy, then someone could assume that the work is sloppy too. Of course, it's not fair, yet it happens all the time.

**Question 2.** How does the way your shop and employees look affect the customer's image of your business?

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**Answer 2:** A professional image makes the customer think that your business is well organized, efficient, businesslike, and professional.

**Question 3.** Name one way in which a clean, neat shop can positively affect your employees.

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**Answer 3:** There are at least three important ways in which a professional image benefits your employees.

(1) **More respect.** If someone has a bad impression of a business, they might also have negative attitudes about the people who work there. This works in reverse as

well. A clean, neat shop can help ensure that your employees will be well thought of and treated with respect.

- (2) **Increased productivity.** A clean, neat shop can also make employees' jobs easier. Tools are where they should be; equipment isn't left lying around where the last person used it. This makes technicians more productive.
- (3) **Safety.** Also, their jobs are safer—an important plus.

### ***Certification***

So far, this activity has concentrated on the physical appearance of your business. Another part of professional image is certification. While it's true that being certified does not necessarily mean that a technician knows everything, certification is an important part of image.

**Question 4.** Name one way in which the image of your employees is enhanced through certification.

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**Answer 4:** In the customer's eyes, certification can mean confidence in the technician's ability to service a car. It can mean confidence to the technician as well—confidence in the ability to do the job right.

If you are not already participating in a certification program, you might want to do so. One of the most recognized certifications is the program offered through the National Institute for Automotive Service Excellence (ASE). Other fine certification programs are available through state associations, trade associations, and technical training centers.

Link up to one of these programs. And be sure to display your employees' diplomas in a prominent place—to increase customer confidence and technicians' pride in their training accomplishments and/or certification. It's part of creating a positive image for customers and for yourself.

### ***What changes could you make?***

Think about your shop's professional image.

**Question 5.** State one action you could take to improve the professional image of your business.

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**Answer 5:** Whatever your goal, put a time frame on it. When would you like to make this change?

\_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_  
Month              Date              Year

### ***How does your customer service rate?***

Periodically assess how well your shop is servicing its customers. Do you exceed your customer's expectations for customer service, or are you just barely meeting them? If you're not sure, you might want to ask your customers.



Duplicate the customer service audit form at the end of this section. Periodically use this checklist to rate your shop's customer service. Or ask your customers to rate your business.

Rate each item

G for good (exceeds customers' expectations)

A for acceptable (meets customers' expectations)

U for unacceptable (must be improved).

If you periodically audit and rate your shop's customer service, you'll probably find some ways to improve the quality of your service. And many times little things are all you need to make you stand apart from your competition.

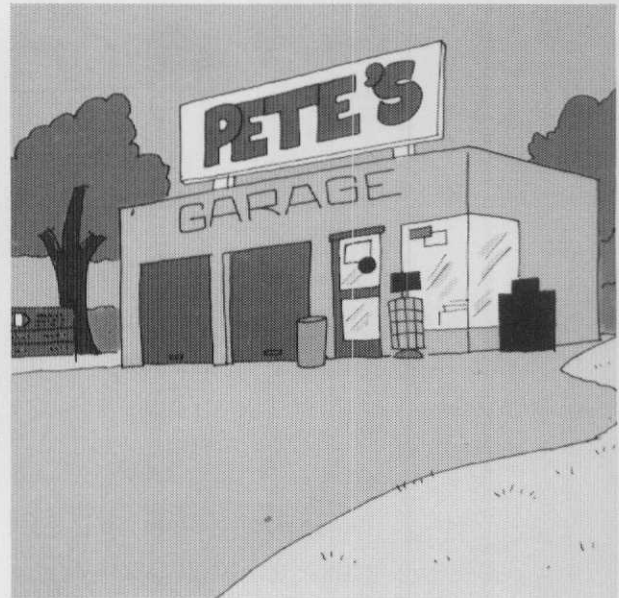
## Conclusion

When it comes to service, customers today come to your shop with high expectations. To gain ground, you must go beyond those expectations. If you only provide what they *expect*, you won't make much of an impression. It's the extras, the unexpected, that impress customers these days—things like

- Providing quality service.
- Being courteous on the phone.
- Projecting a professional image.
- Certifying your technicians.
- Showing your customers that you care about them and their vehicles.

Good service starts a cycle of satisfaction. When customers are happy, it's easier to sell your services. Higher sales and more work sold per ticket increase productivity and profitability. That translates to job security for your employees. And when you and your employees enjoy your work and the customers, you soon have more satisfied customers.

It all starts with you. You can make a difference in creating a positive, professional image for your business. A business that exceeds customers' expectations for good service.



If you were a customer, where would you take your business?

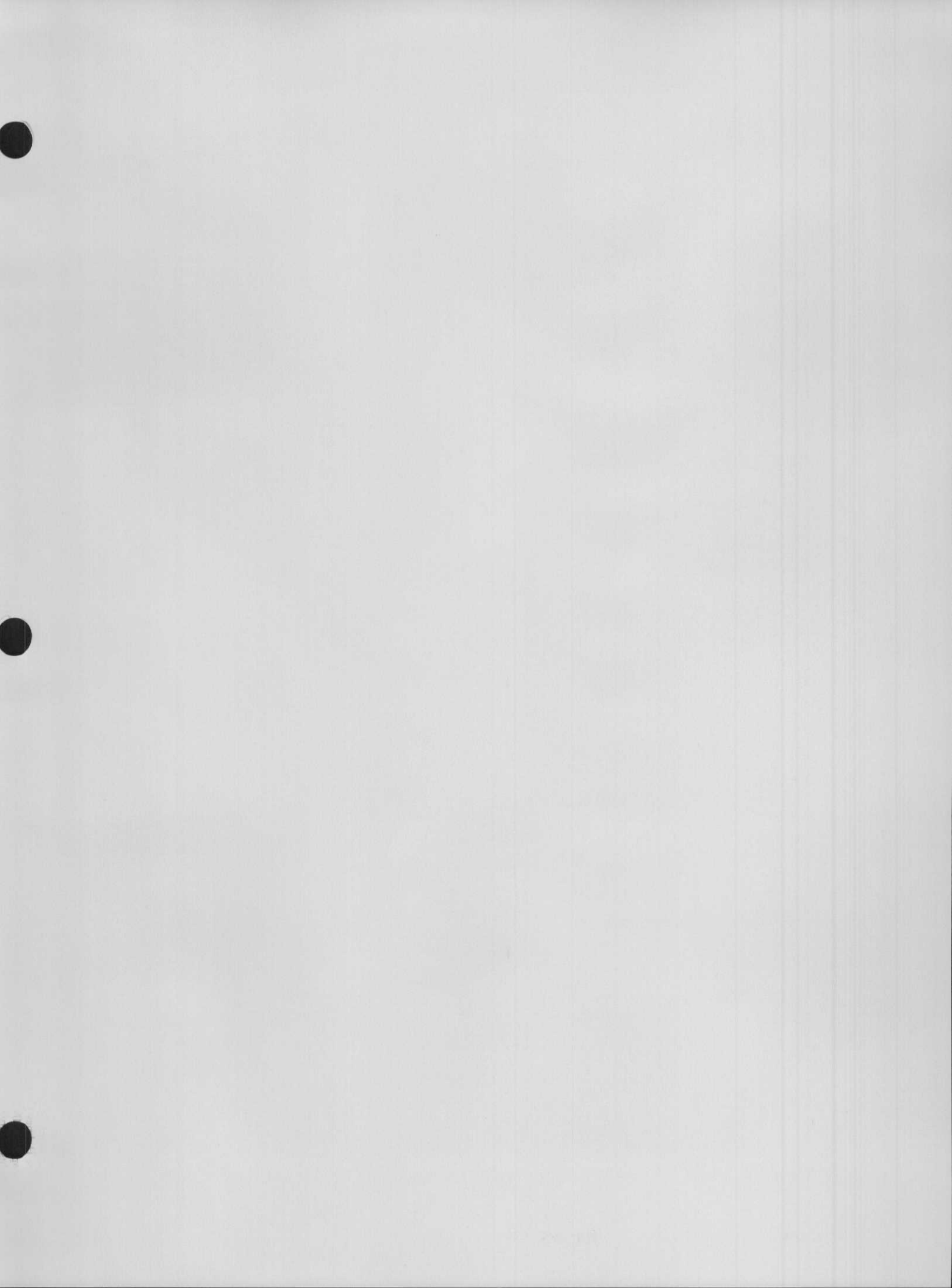
# Job Aid: Customer Service Audit

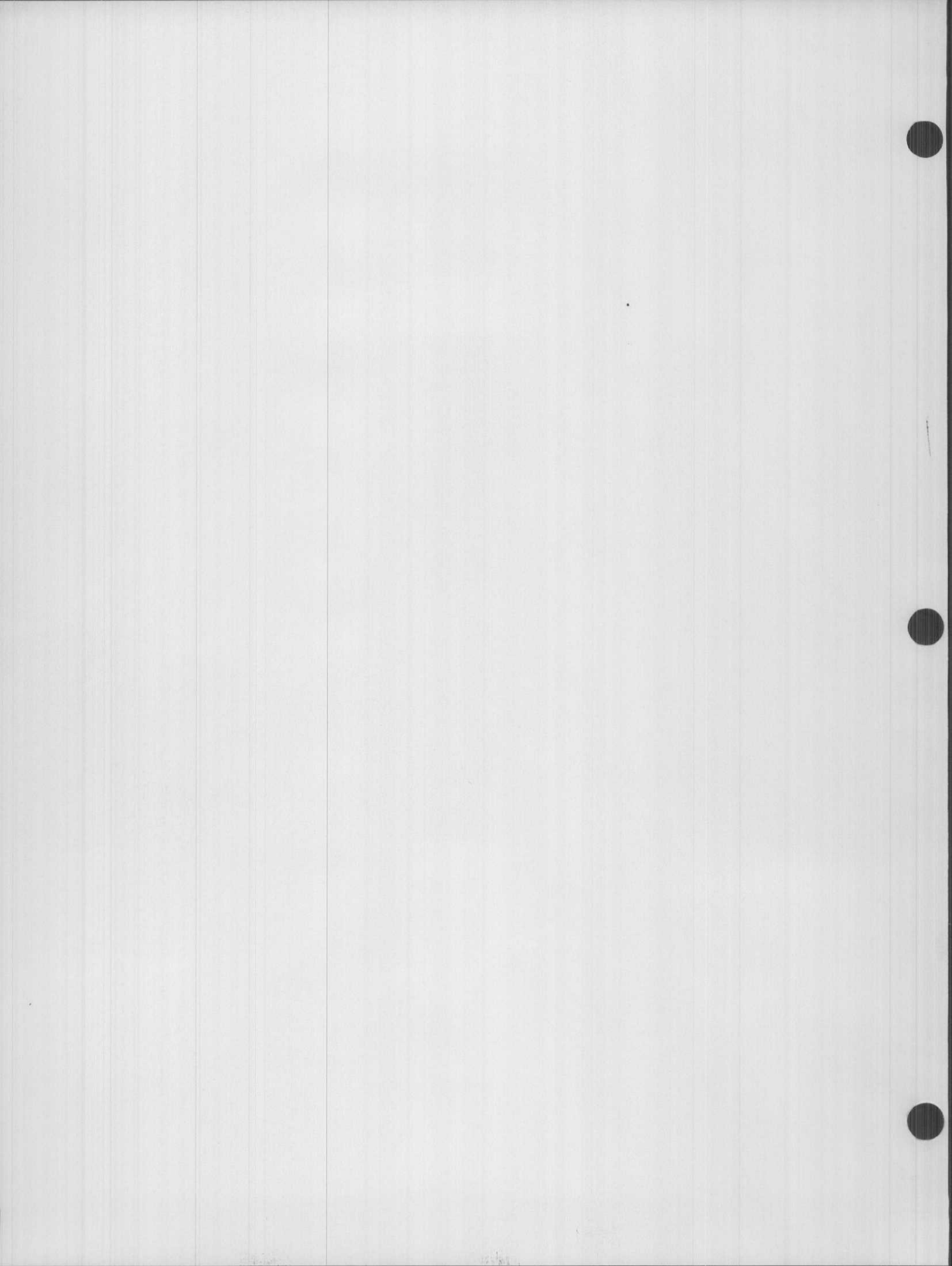
Date \_\_\_\_\_ Audit by \_\_\_\_\_

Rate each item G (good), A (acceptable), or U (unacceptable). In the Comments column, add notes to yourself about any problem area and steps you can take to correct the situation.

Item	G	A	U	Comments
Telephone Courtesy				
				We answer our phones promptly.
				We acknowledge customers' comments.
				We give clear information to customers.
				Before putting a customer on hold, we explain the reason and ask for permission.
Quality Service				We ask about and record symptoms.
				We carefully diagnose problems.
				We explain problems to customers.
				We phrase solutions as features and benefits.
				We ask for the business.
				We do repairs in a timely manner.
				We recommend complete repairs and try not to undersell.
				We charge fair prices for quality work.
				We take steps to reassure the customer.

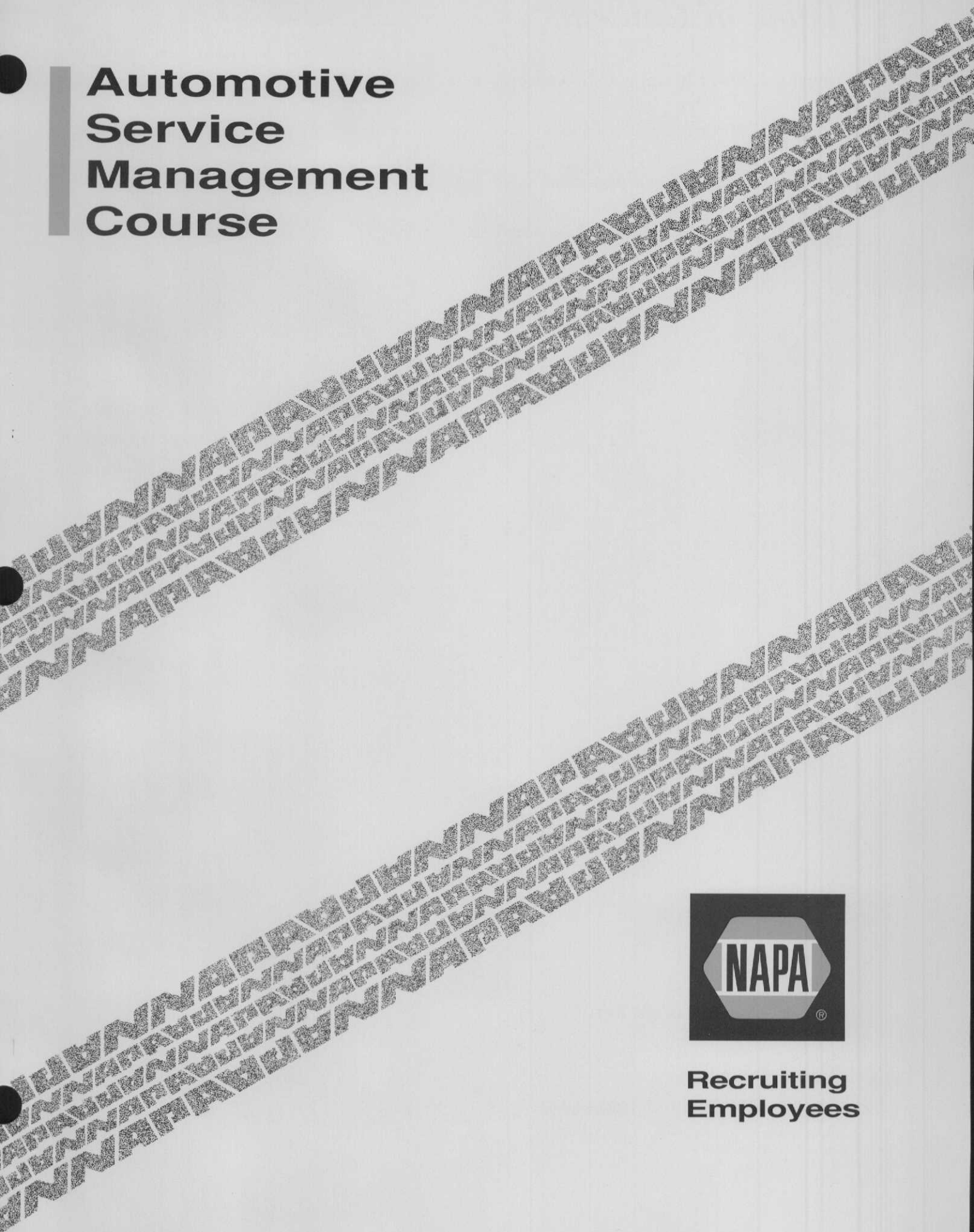
	Item	G	A	U	Comments
<b>Professional Image</b>	We project a professional image.				
	The drive is free of clutter and grass/shrubs are trimmed.				
	We have adequate parking and lighting.				
	Office is uncluttered.				
	Waiting area is tidy.				
	Restrooms are clean.				
	Employees' uniforms are neat/clean.				
	All areas are swept, wastebaskets emptied.				
	Tool benches/bays are neat and orderly.				
	Equipment is properly stored.				







**Automotive  
Service  
Management  
Course**



**Recruiting  
Employees**

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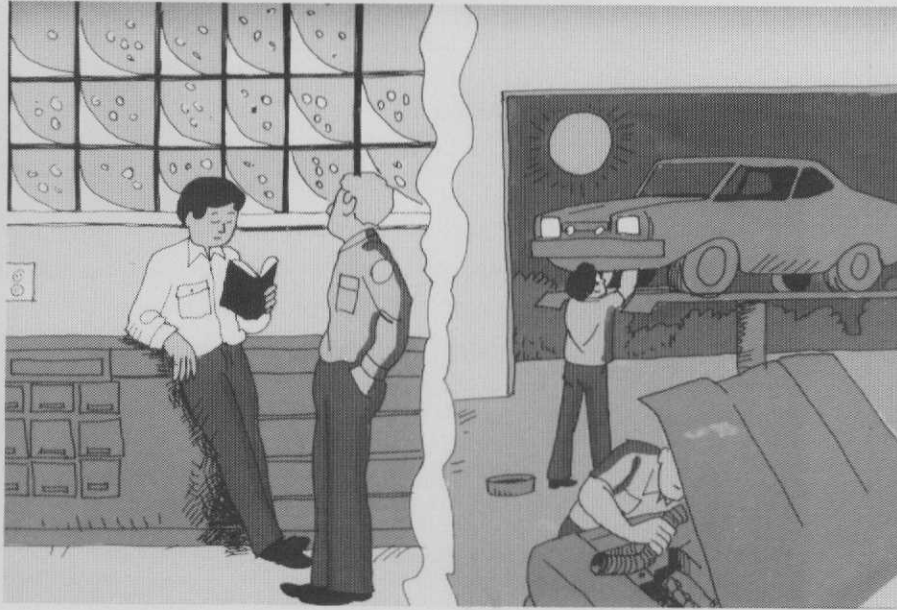
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*The right time to hire a new employee is  
before someone in your operation  
leaves.*

Automotive service owner, Mahtomedi, MN

Created and produced by  
Golle & Holmes Custom Education  
Minneapolis, MN 55431

## Activity 1. When Business Is Booming



What could be better news than “Business is booming!” If you have the bay space, you might be tempted to recruit and hire an additional technician to handle the increased business. Before you do, however, you need to weigh the decision very carefully.

The decision to hire is a difficult one. For most automotive service centers, labor is your largest fixed expense. You need enough technicians and support staff to service your customers during the busy times. At the same time, you can't afford to have idle laborers during the slow season.

Since salaries are a major cost of doing business, you'll want to be sure that adding employees will pay off for you in increased business and profits.

This workbook looks at three aspects of the recruitment issue.

- First, when it is wise to recruit and when it isn't.
- Second, how to define the skills and experience you need in a new recruit—before you start your search.
- Finally, sources of potential employees.

## ***To hire or not to hire***

Before you recruit, you need to make certain that an increased payroll can be offset by increased business and profits. There are five general factors to consider when deciding whether or not to hire.

<b>Analyze before hiring</b>				
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Vacancies</b>	<b>Labor/dollar volumes</b>	<b>Work backloads</b>	<b>Expansion plans</b>	<b>Business operation</b>

**Vacancies.** When someone leaves your business, you'll want to decide if you can spread his/her work among your other employees or whether you must fill the vacancy. Before hiring a replacement, consider the skills of your present employees. Is there someone already on the payroll who can handle the additional work? If so, what effect will that have on your labor/dollar volumes?

**Question 1.** Under which of the following circumstances are you most likely to have to hire someone to fill the vacancy?

- (    ) Jack, your electrical specialist, quits.
- (    ) Mack, who is good at most general repairs, leaves.

**Answer 1:** You are most likely to have to replace Jack because he is a specialist. When specialists leave, you probably need to find someone new to take their place. In a case like Mack, spreading the additional work among your present employees may be a possible solution.

**Labor/dollar volumes.** Labor/dollar volumes are simple figures that tell you the amount of money brought into the shop and the labor costs of generating the sales. They let you measure technician productivity (the subject of another workbook in this course).

You want each of your employees to be productive yet not overloaded. Before hiring, consider the amount of work generated by your present employees to see if they could reasonably take on the additional work. Also consider what revenue a new employee would have to bring in to offset the additional payroll expense.

**Work backlogs.** Also, think about the types of jobs you've turned down in the past. Be sure to allow for seasonal fluctuations.

**Question 2.** Traditionally, January and February have been slow at your shop while spring and fall are busy times. Hank quits in May and leaves you short-handed. All your technicians are working overtime every week to keep up with the backlog. A fleet customer asks you to

handle more of his business, but you don't know how you can do it without Hank. Is this a good time to hire?

- ( ) Yes  
( ) No

**Answer 2:** Indeed, this may be a good time to hire a new person, even though the slower summer months are coming up. You are shorthanded. Overtime is expensive. Servicing a fleet customer could be profitable and could be consistent business year-round. The *Working with Financial Statements* section of this course examines the financial implications of hiring decisions that you will want to be aware of.

**Expansion plans.** Perhaps you plan to expand the size of your operation or the type of work you do. Make sure your immediate plans do not conflict with your long-range ones. Also be certain that your space requirements fit your plans.

**Overall business operation.** In addition to qualified technicians, a business also needs support people to handle daily operations. Look to see if your present employees could take on additional duties. If not, the addition of a cashier, bookkeeper, or parts or service manager could free you to spend time improving the skills of the people already on your payroll or allow you to spend more time managing the business.

**Question 3.** Think about your operation. Assume that your business is booming and your technicians cannot keep up with all the incoming service work. Name one thing you can do in this situation instead of hiring another technician.

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**Answer 3:** You know your own situation. Here are some suggestions from other automotive service owners who have met their labor challenges when business is booming.

- Sit down with your accountant to develop a long-range business plan.
- Analyze the productivity and efficiency of your technicians.
- Hire a part-time technician.
- Hire support staff to free technicians from routine, time-consuming paperwork, chasing parts, or maintenance activities.
- Hold contests, offer rewards, or take other actions to increase productivity.
- Train your employees.

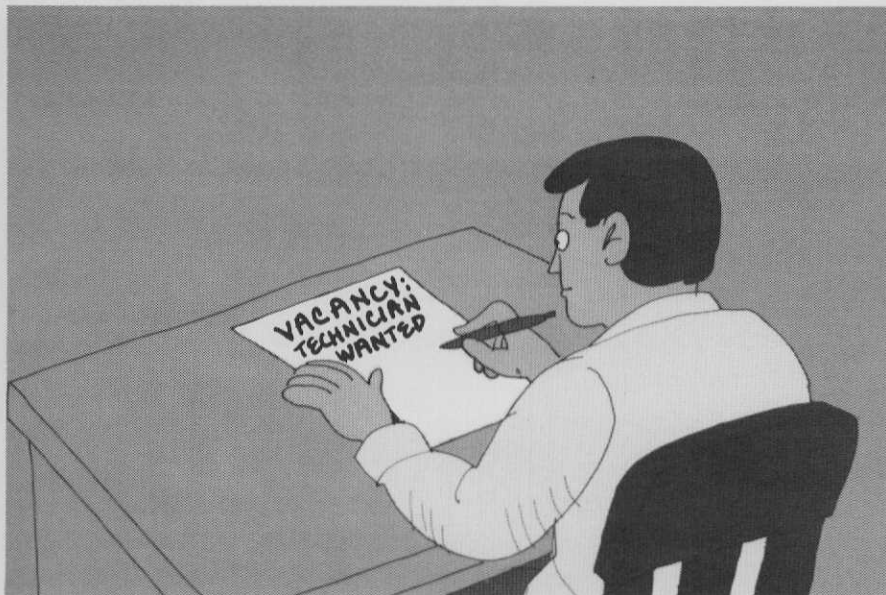
***Before hiring, train your people***

Before you hire, make certain that your people are productive and efficient. Analyze their productivity (see *Analyzing Productivity and Efficiency*). Spend time with employees who are not utilizing 100% or more of their time. Take positive steps to create a motivated workplace and train employees to perform at their best.

When your technicians are more skilled, they become more productive and profitable, and they enjoy their work more. Thus training may eliminate the need to hire additional technicians.

When you do need to hire, you need a thoughtful, planned approach. The next activity looks at how to begin recruiting skilled employees for your business.

## Activity 2. Writing Job Descriptions



“Where do I begin?”

It's impossible to find the right man or woman to fill a position until you know what the job responsibilities are and what you expect. That involves writing job a description.

### **Why write job descriptions?**

A job description is a written outline of job duties. It summarizes the requirements for the job—the skills, knowledge, and attitude needed. Why write job descriptions?

First, they help you narrow your vision. Many applicants might fit the vague title of “technician.” By listing the specific duties of the person you're looking for and the knowledge and skills you need, however, you can quickly sort out many applicants.

Second, job descriptions let your employees know exactly what is expected of them on the job and clarify potential misunderstandings.

Finally, job descriptions will also help you evaluate your employees' performance.

**Question 1.** You hired a new technician to fill an entry-level post. Since he is a vocational school graduate, you assumed that he could handle brake work on both domestic and imported cars. You've received two complaints from customers that their imports were

imported cars. You've received two complaints from customers that their imports were "worse" after he completed brake jobs. How could a job description have helped in this situation?

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**Answer 1:** Note the word "assumed." A job description takes all your assumptions and lists them on paper. That way, both you and the new hire know exactly what is expected on the job. It gives you a basis for training and, when employees don't meet standards, for taking corrective action.

### ***How to develop a job description***

A job description should not be based on what you *think* the job ought to be but on what the job actually is.

How do you develop reality-based job descriptions? There are three easy techniques. They help you break down jobs into smaller parts so you can see what tasks are involved. Once you look at the smaller parts, it is easier to identify the skills and knowledge needed to create the job descriptions.

The three techniques are

- Work diaries
- Observation
- Observation checklists.

### ***Work diaries***

Work diaries are simply lists of daily activities. If your shop is automated, your computer printouts may provide you the necessary detailed information. If not, a work diary should be prepared *by someone who has that job currently*.

To fill out a work diary manually, ask the employee to take a few seconds every half hour to jot down what he or she did during the preceding half hour. Half-hour increments eliminate the need to remember everything for long periods of time and increase the chance that you'll get accurate information.



If time permits, diaries should be filled out over a period of several days. This gives you a better picture of the wide variety of things that are done. If several employees are doing the same job, they should all fill out work diaries. This helps pinpoint daily differences in the work.

**Question 2.** Study the sample work diary below. Name one benefit of having a capable worker fill out a diary before hiring someone in a similar position.

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**Answer 2:** Work diaries eliminate the guesswork. Rather than preparing a job description based on what you *think* people do on the job, you have an actual list of what real people do in that position. Thus you know what skills and knowledge you need in someone you might hire for that job.

Work Diary	
	Name <u>Al Michaels</u>
	Date <u>Sept. 3</u>
	Job Title <u>Technician</u>
<p>Instructions: Record your daily activities by half-hour periods. Your descriptions may be brief, but they should be clear enough so that someone familiar with your job can tell what was done and why. Record exactly what you do—not what you think you should be doing.</p>	
Time Period	Job Activities
7:00-7:30	<ul style="list-style-type: none"><li>• Got work order</li><li>• Completed vehicle inspection</li><li>• Took test drive</li></ul>
7:30-8:00	Began brake repair

## Observation

A second good technique for determining what people actually do on the job is to watch your employees work. This can help you pinpoint the duties required on a specific job.

Below is a sample of a partially prepared observation form. Note how the manager lists the job activities, knowledge needed, decisions made, and skills required.

Observation Form			
		Employee's Name <u>Jan Adams</u>	
		Date <u>April 8</u>	
		Job Title <u>Cashier</u>	
Job Activities	Knowledge Needed	Decisions Made	Skills Required
<ul style="list-style-type: none"> <li>• Prepared cash receipt</li> <li>• Made change</li> </ul>	Operate cash register		<ul style="list-style-type: none"> <li>• Operate register</li> <li>• Customer service</li> </ul>
Prepared credit sale	Card process procedure	<ul style="list-style-type: none"> <li>• Valid card</li> <li>• ID verification</li> </ul>	<ul style="list-style-type: none"> <li>• Operate credit card imprinter</li> <li>• Customer service</li> </ul>
Tallied sales receipts	Close-out procedures		Operate register and adding machine
Closed out/balanced cash drawer	"	Items balanced	"
Recorded totals on form	Procedure		

### Observation checklist

A third suggestion for creating job descriptions is to use an observation checklist like the sample one below.

Observation Checklist			
		Employee's Name	<u>Lee Miller</u>
		Date	<u>June 19</u>
		Job Title	<u>Service Manager</u>
Job Activities	Yes	No	Comments
Schedule customer appts	✓		
Follow up on missed appts		✓	Noted to do first thing in a.m.
Schedule employee work shifts	✓		

Using a checklist may require more work up front, but it saves you from taking detailed notes while you are observing. It also requires you to have detailed, step-by-step knowledge of the job.

When using this method, you list each task you expect to see performed. Then list the steps that an employee would go through when performing each task. Leave several blank lines before continuing with the next task. This will give you space to write down anything else the employee does that you didn't think of.

### Writing a job description

Once you have a clear idea of the duties, skills, and knowledge required for a job, you are ready to write your job description. The format of the description isn't important. What is important is that you make the job description as complete and accurate as possible. This will help you decide if applicants have the skills necessary to do the job. It will also help your employees understand all job requirements.

**Question 3.** Study the job description for the service manager/shop manager on the next page. On the basis of that description, which of the following applicants might be most suited to the job?

- (    )    Andy, your best mechanic. There is no automotive problem that Andy can't diagnose and fix. He's been with you five years and says that he would like more responsibilities and a chance to move up into management.
- (    )    Ben, your brother-in-law. Although he doesn't have any previous experience in a repair shop, he has been a manager at a fast food restaurant and was responsible for hiring and scheduling part-time help, training, and handling complaints. He went to college for one year and studied business and accounting.

Job Description  
Service Manager/Shop Manager

The Service Manager/Shop Manager is responsible for all aspects of shop management. He must be able to plan, implement changes, and supervise the shop effectively and efficiently. Tasks include:

- Scheduling customer appointments
  - Follow-up on missed appointments
- Scheduling all employee work shifts and coordinating work flow
- Answering customer complaints
  - Follow-up on all customer complaints
- Assessing the training needs of all employees
- Planning training
  - Administering training or making arrangements for training
  - Scheduling work to enable employee to apply what was learned
  - Follow-up.

Skills needed include the ability to:

- Organize work and schedules
- Make decisions to approve cash/credit and handle customer complaints
- Build good customer relations
- Plan training
- Administer training
- Follow up training to ensure learning
  - Reinforce good performance
  - Provide additional training if needed.

Knowledge needed includes an understanding of:

- Shop policies and procedures
- Complaint procedures
- Training techniques.

Attitudes needed:

- Friendly—enjoys customers and technicians
- Thoughtful and organized
- Decisive—able to make decisions and stick by them
- Professional in appearance and conduct.

**Answer 3:** Despite his lack of knowledge about the repair business, Ben fits the job description much better than Andy. Of course, you have to decide if you want to hire your brother-in-law. If you decide to move Andy into the position, don't expect him to be able to perform well without a lot of training.

### ***The importance of attitude***

All too often when recruiting technicians, managers stress technical skills and knowledge. Yet many automotive service owners find that attitude is as important as technical skill, if not more important. You are, after all, recruiting someone who will become part of your business family. You need someone who can get along with you, your customers, and the other employees. Someone with a "can-do" attitude who is trainable may work out better than a "super-tech" with a chip on his shoulder. So when writing your job descriptions, think carefully about the attitude you will be looking for on the job.

Later in this module, you will have an opportunity to create a job description for a technician.

### ***The next step***

Once you know the skills, knowledge, and attitude you need, you are now ready to begin finding a good candidate for your position. The final activity in this workbook gives you some ideas about where to start your search.

## *Activity 3. Finding Good Applicants*

Finding the right person for the job can be a long, hard process. In a large corporation, one bad employee is hardly noticed. In a small company, one hiring mistake can ruin a business.

Here are a few suggestions of the most common sources for good applicants.

- Referrals
- Vocational schools and local high schools
- State employment agencies
- Advertising

### *Referrals*

Perhaps the best source of potential employees is the people you hear about through your network of contacts. Let your employees, fellow business owners, and suppliers know that you have a position available. Perhaps they know of qualified people who are dissatisfied at their current place of work and want a change. Even if you don't have an immediate opening, it's always good to have a few names on file just in case.

**Question 1.** What is the best source of referrals for your business? Whom would you ask for help?

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**Answer 1:** You undoubtedly have a wide circle of business associates who may know about skilled technicians who are looking for new opportunities.

### *Schools*

When you need a technician to fill an entry-level position, the schools in your area may be a good source. Usually, both local high schools and vocational/technical schools have automotive service programs available.

Some of you may not have had much luck dealing with the schools. As you may know, not all graduates of those programs are equal. So what can you do to be sure you're getting the best person for the job?

**Deal only with accredited schools.** Accreditation means they meet certain educational standards. To get a list of accredited schools in your area, contact the State Board of Education.

**Contact NATEF.** Contact the National Automotive Technician Education Foundation (NATEF), a body of ASE. NATEF certifies a school's curriculum by type of vehicle system training capabilities and evaluates the school's facilities and equipment. If you are seeking a specialist, NATEF can tell you which schools in your area are certified in that particular area.

**Talk to the school placement office.** Ask about the school's programs to help applicants contact employers. Many schools offer job counseling, career days, or job fairs that can help you reach good applicants.

**Meet the instructors.** Get to know the instructors of the automotive service courses. They know who the bright and willing students are. Very often, they'll call you when they recognize a good student.

**Ask for a tour.** When contacting the school, arrange an appointment with an instructor or department director. They'll be glad to show you around and answer your questions.

**Leave your job description.** Leave a brief description of the job, the qualifications, your name, and your telephone number with the school guidance counselor or placement director.

**Participate in job fairs.** If they have a career day or job fair, you may want to participate. These programs give you a chance to talk directly to interested students.

**Set up an internship at your shop.** This gives you a chance to evaluate possible candidates.

**Question 2.** You are looking for an experienced technician who specializes in air conditioning and electrical work. Is a vocational school a good place to start looking?

(    ) Yes

(    ) No

**Answer 2:** Probably not. Schools are a good way to find entry-level technicians, but not necessarily experienced specialists.

### ***State employment agencies***

There are different types of state employment agencies. Referral-type agencies can be a very good resource. You provide the agency with the job description, needed qualifications, and your name and address. The agency screens applicants for you and sends only those who are qualified for interviews. Generally, state agencies do not charge for their services. Inquire about costs before making arrangements.



## ***Advertising***

If you need an experienced technician, you may want to advertise in your area's daily newspaper or in neighborhood publications, such as a weekly newspaper. For a small fee, you can reach a large number of readers.

If, because of your location, you have difficulty finding qualified applicants in your area, you may want to consider advertising in out-of-town newspapers. Stay informed about the job market in towns or cities near you. Often there are skilled people who want to relocate. Perhaps they just like your area. Or they may find themselves out of work due to company layoffs.

### ***Writing good newspaper ads***

If you choose to advertise your position, there are two keys to writing effective ads.

**First, be specific.** Make your ad as specific as possible. This may take some practice because you also want to make it as short as possible to keep the cost reasonable.

If you have certain requirements, make sure they are spelled out in your ad. This will prevent responses from unqualified applicants.

**Second, make your ad stand out.** You want your ad to stand out from the rest. You can do this with borders, different type face sizes, and leaving enough white space within the ad that it doesn't look cluttered. Consult the classified department of your local newspaper for ideas and costs. They typically have trained people who will help you make your ad draw attention.

**Question 3.** Below is a brief description of a job along with the desired qualifications. Try your hand at composing an ad. Remember—keep it brief, yet complete. Make it stand out.

Position:	Experienced automotive technician.
Responsibilities:	Diagnosis and repair of domestic and imported cars.
Type of work:	Diagnostics, emissions, air conditioning, and brake work.
Salary and benefits:	Competitive, based on experience and ability. Includes medical benefits.
Qualifications:	At least three years of experience in the areas listed above. ASE certification preferred. Must own hand tools.

Write your ad:

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**Answer 3:** Here is one possibility. It is all right if your response is different. The key is to be specific and make it stand out from the rest.

**Experienced technician** for diagnostics, emissions, air conditioning, & brake work. Domestic & imports. Exc. benefits including medical. Salary competitive. Must own hand tools. ASE cert. pref. An EOE. Call 555-0000 now.

### ***Conclusion***

Recruiting is more than just finding a good technician and hiring that person. For a small business owner, the people you hire have a great impact on your business, your profitability, your employees, and your customers. So it is important to hire right.

The first step is to recruit thoughtfully. Take the time to analyze whether you truly need to add to your staff or not. Write job descriptions. Think about the skills, knowledge, and attitude you need. Use a variety of sources to recruit candidates. Such planning will pay off in better-qualified applicants for your position.

Once you have good applicants, *Selecting New Employees*, a companion booklet in this course, teaches you how to interview and hire the right one.

# *Job Aid: Writing Your Own Job Descriptions*



You may want to write job descriptions for your employees. Feel free to duplicate the form on the next page.

1. First use work diaries, observation forms, or observation checklists to analyze the responsibilities handled by people who have that job now. (Copies of these forms are at the end of this section.)
2. Then write your job description. When writing a job description for any position in your shop, list the many duties of the job. Then list the skills and knowledge needed to handle those duties.
3. Share your job description with the people who currently have that job. Get their input and suggestions.
4. Use your job descriptions to recruit and select new hires.
5. Also use the job descriptions when evaluating the performance of your employees. You'll find that the clearer your expectations, the easier it is to communicate with your staff.

# *Job Description*

**Position** \_\_\_\_\_

**Duties**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Skills needed**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Knowledge needed**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Attitude needed**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## Work Diary

Name \_\_\_\_\_

Date \_\_\_\_\_

Job Title \_\_\_\_\_

Instructions: Record your daily activities by half-hour periods. Your descriptions may be brief, but they should be clear enough so that someone familiar with your job can tell what was done and why. Record exactly what you do—not what you think you should be doing.

Time Period

Job Activities

7:00-7:30

7:30-8:00

8:00-8:30

8:30-9:00

9:00-9:30

9:30-10:00

10:00-10:30

10:30-11:00

11:00-11:30

11:30-12:00

12:00-12:30

12:30-1:00

**Observation Form**

Employee's Name \_\_\_\_\_

Date \_\_\_\_\_

Job Title \_\_\_\_\_

Job Activities	Knowledge Needed	Decisions Made	Skills Required

**Observation Checklist**

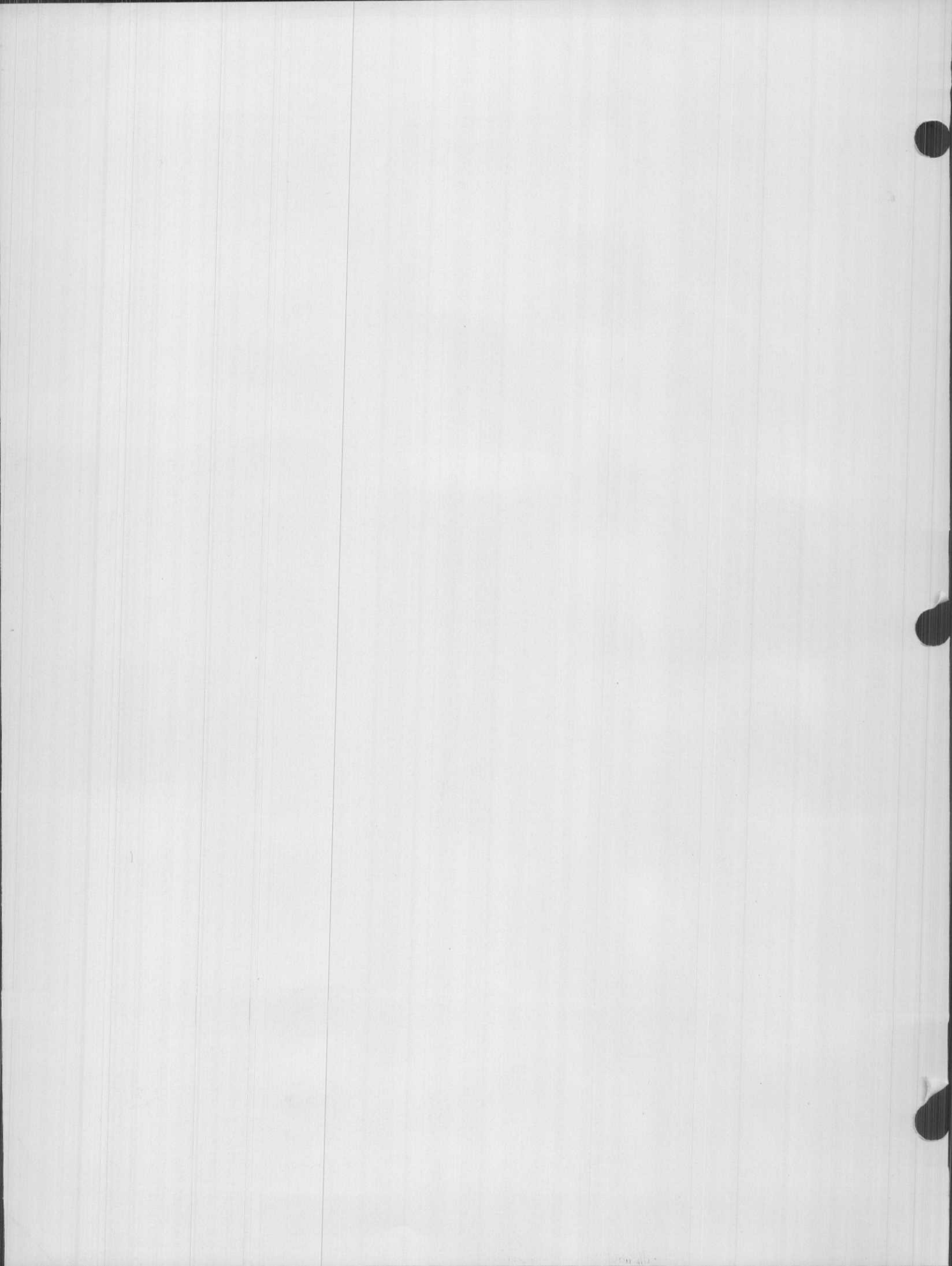
Employee's Name \_\_\_\_\_

Date \_\_\_\_\_

Job Title \_\_\_\_\_

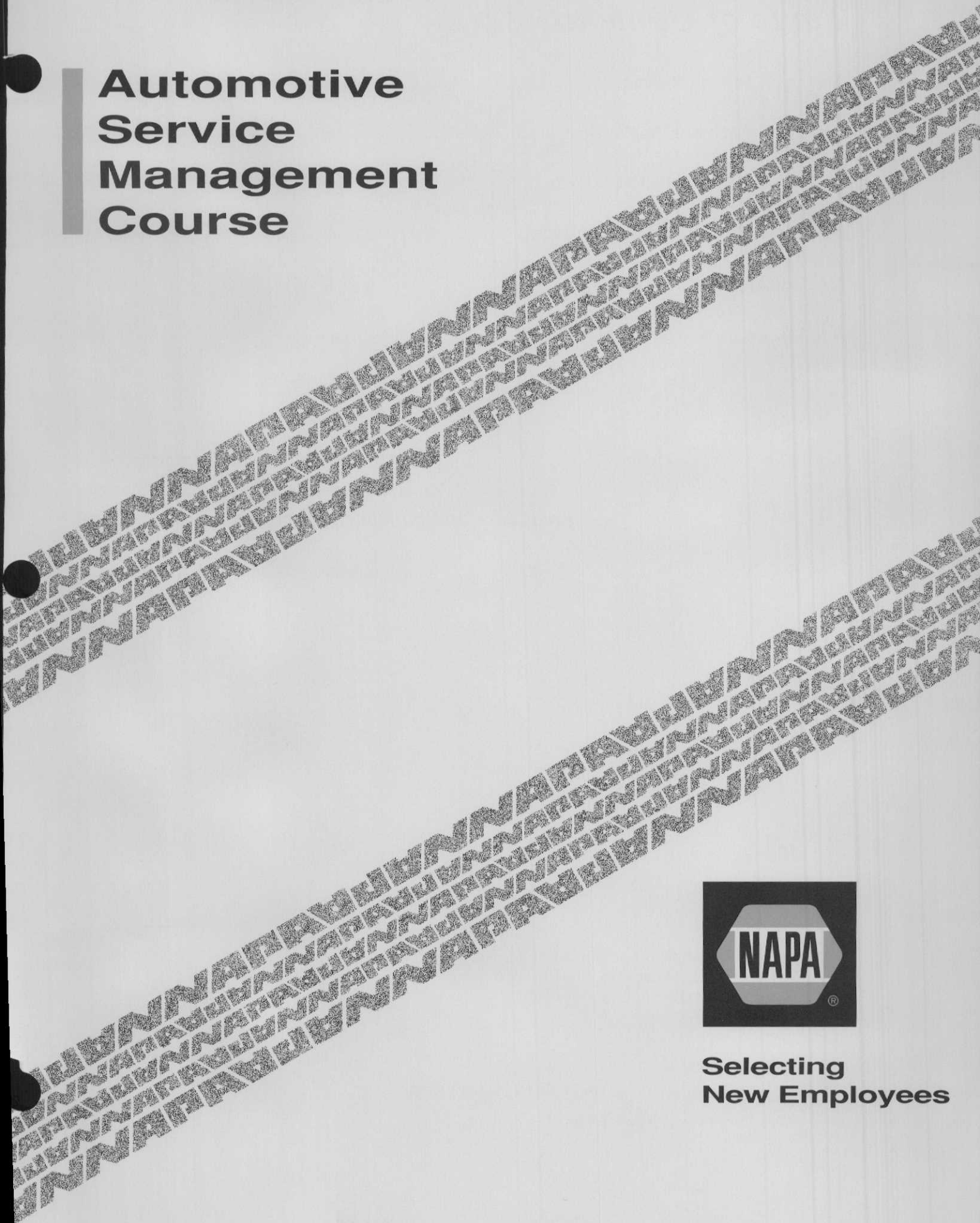
Job Activities	Yes	No	Comments







**Automotive  
Service  
Management  
Course**



**Selecting  
New Employees**

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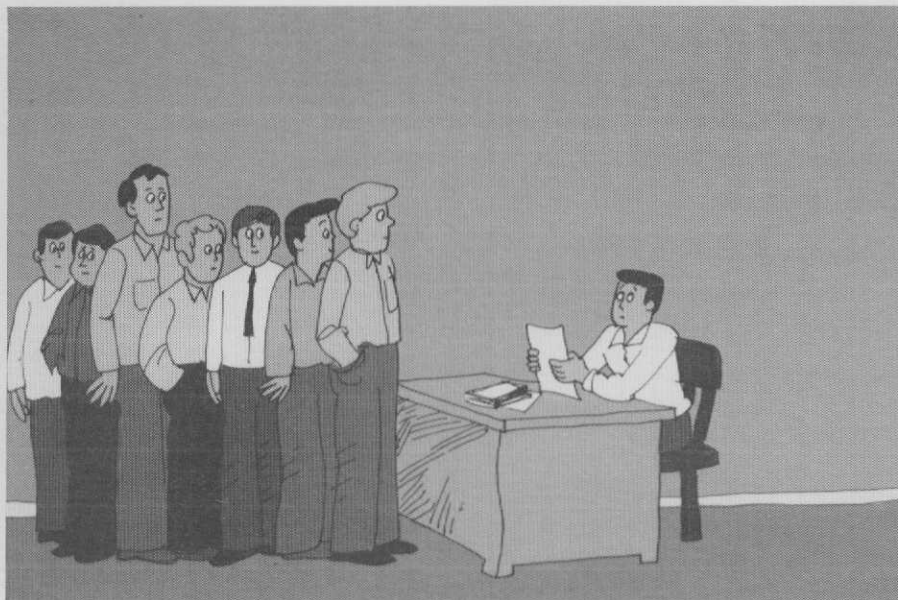
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*It's a major investment to hire  
a new employee. We need to exercise  
great care and patience and evaluate before hiring.*

Automotive service owner, Jefferson, LA

Created and produced by  
Golle & Holmes Custom Education  
Minneapolis, MN 55431

## Activity 1. Hiring Challenges



Selecting the right candidate for an opening at your shop is no easy task. Sometimes you have too many applicants and have difficulty narrowing the field to the best person. Other times, you may have too few choices and feel forced to hire someone who is less than ideal.

In addition, your employment practices may be subject to federal and state regulations against discrimination of minorities, women, or the disabled.

This slim workbook cannot possibly include everything you might need to know about selecting employees. It can, however, help you through the hiring maze so you can be more confident that you're selecting the right person for your business.

### ***Define the job requirements***

The first thing you must do before hiring is to define the job requirements—the skills, knowledge, and attitude needed for that particular position. A companion workbook in this course, *Recruiting Employees*, teaches you how to do this.

Failure to take this step can have serious consequences. First, and most obvious, it can lead to profound hiring mistakes. If you don't look at the hole to see that it is round, you may keep trying to fit a square peg into the opening.

Failure to take this step can have serious consequences. First, and most obvious, it can lead to profound hiring mistakes. If you don't look at the hole to see that it is round, you may keep trying to fit a square peg into the opening.

**Question 1.** You are looking for an experienced technician—someone who can handle diagnostics, emissions, air conditioning, and brake work. After interviewing several candidates, you eventually offer the job to Kevin, who handled those responsibilities at a local Ford dealership. Kevin is quite good at diagnosing problems in domestic cars, but not imports. He is shy around customers and doesn't adequately explain to them what's wrong with their vehicle. The other technicians complain that he is a loner and isn't friendly. What went wrong?

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**Answer 1:** Here is a classic example of what happens when the job requirements have not been defined before hiring. Apparently, Kevin's position requires someone who can

- (1) Diagnose problems in domestic *and* imported cars.
- (2) Communicate with customers.
- (3) Be friends with the other technicians.

Kevin falls short in all three areas. Because you didn't define the job until *after* hiring, the wrong person was selected.

The second reason why written job descriptions are so important is because failure to have clear-cut job requirements may put you in violation of federal or state statutes that prohibit discrimination in employment practices. Let's briefly look at the federal laws that might affect your business: Equal Employment Opportunity (EEO) and Americans With Disabilities Act (ADA).

### ***Equal Employment Opportunity***

In general, Equal Employment Opportunity (EEO) makes it illegal to discriminate on the basis of race, color, religion, national origin, sex, socio-economic background, or disabilities.

According to EEO, illegal discrimination occurs when a person is evaluated for employment opportunities on the basis of assumptions or stereotypes about a group. It also occurs when personal preferences dictate your hiring practices rather than an individual's ability to do the job. If you have any questions related to EEO guidelines, please check with your attorney. This booklet is not intended as a substitute for legal advice.

**Question 2.** Which of the following would be considered a violation of EEO requirements?

- ( ) Gretchen is rejected for a technician's job because, according to a national study, women tend to miss more work days than men.
- ( ) Harlan, an Afro-American, is not hired because the other technicians in the shop only feel comfortable working with white males.
- ( ) Harry, who is recently divorced, is not hired because the manager thinks that single men are not as stable as married men.
- ( ) Greg, age 18, is rejected because, in the past, young technicians at the shop have tended to be immature and irresponsible.

**Answer 2:** All four are considered discriminatory. They all involve assumptions about a particular group of people. EEO requires that people be evaluated on job-related abilities, rather than who or what they are.

**How can you ensure EEO compliance?** The best way to help ensure compliance with EEO is to make certain that all your employment policies, procedures, and practices relate *directly* to the individual's ability to perform the job.

**Question 3.** Which would *not* be a valid reason for rejecting Kevin for your position?

- ( ) He cannot diagnose problems on imported cars.
- ( ) He cannot communicate effectively with customers.
- ( ) He is not friendly with the other technicians.

**Answer 3:** It may be appropriate to reject a candidate who lacks the required diagnostic knowledge or communication skills for the job. But beware of rejecting or firing someone simply because he is "not friendly" with other technicians. Be sure that your reasons relate directly to the individual's ability to perform the job.

### ***Americans With Disabilities Act***

The Americans With Disabilities Act of 1990 (ADA) prohibits discrimination in employment against a qualified individual with a disability. If the person can perform the essential functions of a job with or without reasonable accommodation, you cannot discriminate simply because the person is handicapped or disabled.

Employers with 25 or more employees are covered by ADA starting July, 1992. Employers with 15 or more employees are covered starting July, 1994.

**Question 4.** Sally applies for your opening for a cashier. The job requires someone who can operate and balance the cash register, keep the books, write invoices, answer the phones, and interact with customers. Sally handled a similar job for a car dealership before her automobile accident that left her in a wheelchair. Your office space is small. It will be difficult for Sally

to maneuver in the cramped space or reach the register. If your business is covered by ADA, can you reject Sally on the basis of her disability?

- (    )    Yes  
(    )    No

**Answer 4:** Probably not. A disabled person must be able to perform the essential functions of the job in order to receive the protection of ADA. Apparently, Sally is qualified. Therefore, the Act requires employers to make reasonable accommodations to enable qualified disabled employees to perform the job. That could include making existing facilities readily accessible and lowering the cash register. You are not required to lower quality standards, however. If you have any doubts, consult with an attorney who specializes in labor legislation.

***Think about your employment practices***

EEO and ADA requirements are discussed again later in the section on interviewing candidates. At this point, just make sure your employment practices relate directly to the person's ability to do the job—not your personal preferences and assumptions about certain groups of people. Not only will this policy keep you on the right side of the law, but it will also open your shop to a variety of qualified employees—people whose talents and energy can enhance your business.

## *Activity 2. Analyzing Applications*

Interviewing candidates can be a costly, time-consuming process. The process can be simplified if you use an application form to screen applicants. You will see fewer people and be able to spend more time interviewing only those people who seem to meet your basic requirements.

### *The application form*

When applicants first contact you, have them complete an application form on your premises. You can then review the form, check that all parts have been completed, compare the applicant's qualifications with your needs, and decide whom to interview.

At the back of this workbook, you'll find an application form that you might want to duplicate and use in your business. The form takes into consideration EEO and ADA requirements, avoiding questions that you cannot ask.

Four key areas to flag on the application form are

- Stability
- Types of jobs
- Training needs
- Salary requirements.

**Stability.** The most important thing you can learn from an application is the stability of the employee. If the person changes residence or jobs frequently, there may be cause for concern.

Pay careful attention to the reasons given for job changes. There may be good reasons such as higher salary, greater responsibility, or a better job. If you are still interested in an applicant but are worried about instability, you can always interview the person to get additional information.

**Question 1.** You receive an application from John, an experienced technician. Under references, John has listed four different employers in the past four years. Under "why did you leave?" John wrote the following.

- Position 1: "Money"
- Position 2: "Promotion, more money"
- Position 3: "Closer to home"
- Position 4: "Not enough to do"

Assume John meets all your job qualifications. Would you interview him?

- Yes  
 No

**Answer 1:** John does seem to have valid reasons for changing jobs so often—more pay, less commute time, more responsibility. Yet hiring and training are expensive. You want a long-term employee who will give you a return on your investment. You certainly don't want to hire John and have him leave within the year for more money or responsibility elsewhere. If you do interview him, be sure to flag this area and ask him about his interest in long-term employment.

**Types of jobs.** The types of jobs held by an applicant can also provide valuable information. Do the jobs suggest increasing levels of responsibility? Or are they all the same? If they're the same, you might wonder why.

**Training needs.** The application form can also tell you the applicant's certification and training already acquired. This tells you whether the person may require additional training after hiring to meet your job demands.

**Question 2.** John graduated from an area vocational technical school seven years ago. He has listed no additional training since then. Is this an area you might want to flag?

- Yes  
 No

**Answer 2:** You might be concerned that John hasn't kept up with recent developments in the automotive service industry. You may want to interview applicants like John whose skills haven't been updated through seminars and clinics. But remember, you'll have to bear the cost of the additional training to update their skills.

**Salary requirements.** The application also gives you information about the candidate's current and past pay history. It allows you to determine if you can meet the person's salary requirements.

### ***Sorting through the applications***

If you receive a lot of applications, you may want to stack them into three piles.

**Pile 1: The winners.** A short list of candidates who meet your job qualifications. These are the people you want to interview.

**Pile 2: The possibilities.** For now, set aside the applications with red flags. Although these candidates may meet most of your job qualifications, the flags suggest a possible concern



about stability, training, or salary requirements. You can return to this group later if none of your winners fulfill your expectations during the interview.

**Pile 3: The rejects.** Eliminate all people who do not meet your minimum job requirements.

### *Notifying applicants*

Everyone who applied for your job, whether selected for an interview or not, deserves a follow-up phone call or letter.

**People you want to interview.** Call them at home and schedule an interview. It's not wise to call them at work because their employer probably doesn't know they are looking for another position.

**People you reject.** Send unsuccessful applicants a brief letter thanking them for their interest. Explain that their qualifications do not meet your current job requirements. If you honestly think that you might have a job open for them in the future, tell them you will keep their application on file, as required. A sample rejection letter follows.

(Date)

Mr. Robert Jackson  
141 W. Main  
Anytown, ZA 12345

Dear Mr. Jackson:

I am writing in response to your recent application for the position of technician at ABC Auto Center.

Your qualifications do not match the job we have available at this time.

Thank you for your interest. I wish you success in finding the right job.

Sincerely,

Tom Adams  
Owner

### *The next step*

Once you have selected the applicants that do meet your requirements, you are ready to start the interview process—the subject of the next activity.

## *Activity 3. Interviewing Candidates*



“As I was saying, at my last job I . . .”

An interview is a two-way street. Applicants are trying to find the right fit for themselves. And you're trying to do the same. This activity looks at ways you can make the process more comfortable and productive for both of you.

### ***What do you have to offer?***

Skilled, productive employees are the backbone of your business. In today's competitive labor environment, it's not easy to find and attract the kind of workers you want—loyal, hard-working, dependable employees who will help your business grow and prosper. Undoubtedly, your competition wants those people too.

Before you begin the interview process, you need to think about what your shop offers that will appeal to the kind of employees you seek. Wages alone may not be enough. Also think about the other benefits you offer—fringe benefits, work atmosphere, working conditions, supervision, training, and other advantages. Does your competition also offer the same or better benefits?

**Question 1.** Name three reasons why someone would *want* to work for you.

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**Answer 1:** You may offer benefits that enable you to attract and retain qualified employees. The more you can think of, the easier it will be to attract the best employees. You might have listed

- Salary
- Sales or productivity bonuses
- Overtime policies
- Vacation policies
- Sick leave policy
- Other time off allowed (maternity leave, jury duty, family emergencies)
- Flexible working hours
- Medical, dental benefits
- Retirement plans
- Friendliness of co-workers
- Opportunity for on-the-job training
- Relaxed, comfortable working atmosphere
- Pride of working for the number one automotive service center in your area
- Plus many other benefits.

### ***Conducting the interview***

The interview should be a planned, structured process that allows you to determine if the candidate meets your job requirements. At the same time, you want the candidate to feel relaxed and positive about your business. Here are some pointers about interviews.

**Pick a quiet location.** You need a quiet, comfortable setting to conduct your interview. If you do not have a private office, select a nearby restaurant. But make sure that the restaurant is quiet and lets you talk undisturbed. A crowded, noisy restaurant is no better than a crowded, noisy shop.

**Put your best foot forward.** Be friendly but businesslike. Be proud of your business and your success. Be positive—about your business, your employees, and your customers. Your attitude is contagious.

**Question 2.** What else can you do to put your best foot forward and help applicants feel positive about working for your shop?

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**Answer 2:** There are a lot of things you can do to make the interview process go smoother. Here are just a few ideas.

- Start the interview on time.
- Call the applicant by name.
- Offer coffee. Make sure the applicant feels relaxed and comfortable.
- Project a professional image. Keep a clean shop, make certain your office is tidy, watch your own appearance.
- Introduce the candidate to other people who work at your shop.
- Arrange for successful candidates to talk to other people and ask questions about what it is like to work at your shop.

**Give the applicant your undivided attention.** Unless it absolutely can't be avoided, don't waste the candidate's time dealing with other problems or answering the phone. After all, in the short space of your interview both of you will decide whether or not you can work well together. Applicants who are worthy of an interview are worthy of your attention.

**Prepare an interview guide.** Write down, in advance, the questions you want to ask each applicant. Your list of prepared questions is called an interview guide. A good interview guide will help you get the information you need to evaluate the abilities of your applicants. A sample interview guide appears on page 12 of this workbook.

**Ask open questions.** Let the candidate do most of the talking. To do this, ask **open questions** that encourage candidates to open up and talk freely about themselves. Open questions cannot be answered with *yes*, *no*, or a one-word reply. They often begin with *what*, *how*, or *why*. For example

- What were your duties on your last job?
- How did you hear about our opening?
- Why did you select the vocational school in Springfield?

**Ask only job-related questions.** The next section discusses in more detail some of the questions you can (and cannot) ask during an interview.

**Take notes.** To help you remember all the information you learn about the candidate, take notes. Since note-taking might make some candidates uncomfortable, explain before you start the interview that you will be taking notes.

**Listen to the candidate.** Throughout your interview, listen carefully. Don't talk too much. And don't think ahead to your next question. You won't forget it because it is written on your interview guide.

**Don't lead the candidate.** Very often there will be a pause while applicants think about what they want to say. If you try to fill up that silence by asking a question, you can lead candidates into giving you the answer they think you want to hear. Guard against this. Let applicants ask you to clarify a question if they are not sure what you're asking.

**Pose hypothetical situations.** If you need more information than the candidate provides, you might want to set up a typical job situation and ask what he would do. For example, you might ask

- How do you go about diagnosing a brake problem on a '90 Plymouth Voyager?
- If a customer told you that her car was making "funny noises" when she steers to the right, what would you do to understand the problem?

**Let the candidate ask questions.** Remember, this is a two-way conversation and process. You're not there to interrogate the applicant. Applicants are also sizing you up and probably have some questions for you.

**Be honest.** Invite questions and answer them honestly. Exaggerating the benefits of working at your shop only invites trouble. If you hire the person based on unkept promises, you have an unhappy employee on your hands—someone who may quit (or, worse, take legal action).

### ***Interview questions***

The important thing to remember when interviewing candidates is to keep focused on job-related abilities. Begin with your written job description. Then design questions that will help you determine if the person has the technical and communication skills you need.

**What you cannot ask.** To stay in compliance with EEO and ADA, avoid asking applicants about race, sex, age, religion, physical handicaps, marital status, pregnancy, care of children, citizenship, appearance, height and weight, credit record, garnishments, arrest records, convictions (unless job-related), and friends or relatives working for the company.

**Question 3.** You are interviewing a technician. The position calls for someone who can handle diagnostics, emissions, air conditioning, and brake work on both domestic and imported cars. Which of the following questions *cannot* be asked in a job interview?

- (    )    a.    Why have you changed employers so often?

- ( ) b. Have you ever had a drug or alcohol problem?
- ( ) c. Are you healthy?
- ( ) d. Which do you prefer—diagnostics or brake work?
- ( ) e. Do you know of any reason why you cannot perform the work here?
- ( ) f. How old are you?
- ( ) g. Are you married?
- ( ) h. Tell me something about your family. Have they lived in this area long?
- ( ) i. Are you ASE certified?
- ( ) j. Do you have children?
- ( ) k. Are you a citizen?
- ( ) l. What were your duties in your last job?
- ( ) m. Were your wages ever garnished?
- ( ) n. What did you like about your last job?

**Answer 3:** Job-related questions are acceptable. You cannot, however, ask questions b, c, f, g, h, j, k, or m. All could be considered discriminatory under EEO or ADA regulations. If you have any concerns about this, consult with a competent labor attorney.

The interview guide below lists some questions you might want to ask when searching for technicians. Study the guide, then turn to the final activity in this workbook—making the final selection.

#### INTERVIEW GUIDE

1. What are your responsibilities in your current job?
2. What was the last major problem you encountered on the job? How did you handle it?
3. How do you find out what's wrong with a vehicle?
4. What do you like the best about your current job? What the least?
5. Part of this job involves listening to customers. How do you show people you are listening?
6. Let's say that an angry customer approaches you with a complaint. How would you handle the situation?
7. How do you keep up with changes in the automotive industry?
8. What was the biggest problem you faced on your job in the last six months? How did you handle it?
9. If you run into a problem and don't know how to complete a job, what do you do?
10. In your present job, how do you define doing a good job?
11. Are you doing a good job? How do you know?
12. If you had to describe a specific job, what steps would you take to complete the job?
13. What potential problems could come up if you handled the job that way?
14. Give an example of when you describe a situation.

## *Activity 4. Making the Final Selection*

You're ready to make the final decision. You've put a lot of time and effort into the hiring process and want to be sure you make the right decision. But how can you be sure? This activity offers some suggestions.

### *Checking references*

It is important to check references. Yet often it is difficult to get useful information from previous employers. Concerns about confidentiality and potential law suits limit what most employers are willing to share about an employee. Sometimes you'll only find out that the person did work there for the period specified on the job application. Naturally, you'd like to know a great deal more than that before hiring someone.

You might want to call the former employer and ask some general questions first. Ask about the dates of employment. This allows you to determine any gaps in the applicant's work history.

Then, check previous salaries. This will help you evaluate the salary requirements the applicant has stated and enable you to make a competitive offer.

**Question 1.** Name one additional question you could ask to get more information about an applicant from a former employer.

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**Answer 1:** Two excellent questions to ask when checking references are

- Would you rehire this person? (If the person hesitates, probe deeper. For example, ask why the person left that job.)
- Is there anything else I should know?

### *Involve others*

Many automotive service managers and owners ask one or more of their long-term employees to interview the final two candidates for a position. This gives you another perspective on the candidates—from people who currently do the work. If you do involve your technicians in the

interviewing and hiring process, make sure they are aware of the do's and don'ts of interviewing, including EEO and ADA requirements.

### Use a decision work sheet

Even after checking references and involving others, hiring the right person can be a difficult decision. A simple, easy-to-use chart, called the Decision Work Sheet, like the one below can assist you in decision making.

Decision Work Sheet												
Qualifications:	Must have	Want	Bob Murray		Todd Johnson		Vern Timew		Chris Roades		Pat Lee	
			Y	N	Y	N	Y	N	Y	N	Y	N
1. Job Knowledge/Skills												
emissions	✓		10		8		6		5		10	
air conditioning	✓		10		10		6		5		10	
brake work	✓		8		8		6		4			3
2. Diagnostic Skills <i>domestic &amp; imports</i>	✓		10		6		5		8		5	
3. Speaking Skills		✓	6		10		8		5		5	
4. Listening Skills		✓	6		6		6		5		5	
5. Work Habits and Standards	✓		8			2	5		6		5	
6. Initiative		✓		3	6			0	5			0

To use this work sheet, follow the steps outlined below.

- First, fill in the names of your applicants between the slanted lines on the top of the form. There is room for five names.
- Under point 1, list all the specific skills or responsibilities of the job.



- In the next column, check whether the skill is something that you must have, or if it's something you want but is not a necessity.
- In the next column, under the applicant's name, check either yes, they possess that skill, or no. Or, if you'd like, follow the approach illustrated above. Record the degree to which you think the applicant has the skill. For example, use a scale of 1-10 (with 10 being high).
- Using the information from your interview guides, continue with the process outlined above. First, decide if it is a "must have" or a "want." Then identify whether the applicant has the ability or not.

**Question 2.** Assume you are looking for a technician with the job skills listed on the Decision Work Sheet on the previous page. The person you hire must be able to handle diagnosis, emissions, air conditioning, and brakes and have high work standards. It would be nice if the person you hire has good speaking and listening skills and takes initiative for work. Based on the Decision Work Sheet, whom would you hire?

- ( ) Bob Murray
- ( ) Todd Johnson
- ( ) Vern Timen
- ( ) Chris Roades
- ( ) Pat Lee

**Answer 2:** Note how this Decision Work Sheet simplifies the choice by making it more objective. While several people are qualified, Bob Murray seems to score the highest marks. Although he lacks initiative, you said that was only a "want" not a "need." He has good listening abilities and looks like a clear winner.

### **Conclusion**

The hiring decision is perhaps the single most important one you make as a business owner and manager. The people you employ are long-term investments. The revolving door of hiring then firing is very costly—it can adversely affect your business, your profitability, your other employees, and your customers. So it is important to hire right the first time.

This involves the actions discussed in this booklet and in the *Recruiting Employees* booklet of this course.

- Making thoughtful hiring decisions—weighing the pros and cons of filling vacancies versus spreading work among current employees.
- Writing job descriptions.
- Using sources for potential applicants wisely.
- Screening job applications.

- Interviewing candidates carefully.
- Making the right decision.

The more careful you are in recruiting and hiring new employees, the more productive and profitable your shop will be.

# *Job Aid: Application Form*



Feel free to duplicate and use the application form that follows. It has been carefully designed with EEO and ADA requirements in mind.

# APPLICATION FOR EMPLOYMENT

PLEASE PRINT INFORMATION REQUESTED IN INK.

Date \_\_\_\_\_

WE ARE AN EQUAL OPPORTUNITY EMPLOYER and fully subscribe to the principles of Equal Employment Opportunity. We have adopted an Affirmative Action Program to ensure that all applicants and employees are considered for hire, promotion and job status, without regard to race, color, religion, sex, national origin, age, veteran status or disability.

To protect the interests of all concerned, applicants for certain job assignments may be required to pass a physical examination before they begin work. Alternative placement of an applicant who does not meet the physical standards of the job for which he/she was originally considered is permitted.

NOTE: This application will be considered active for 30 days. If you have not been employed within this period and are still interested in employment, you must reapply in person.

Name \_\_\_\_\_ Social Security Number \_\_\_\_\_  
Last First Middle

Address \_\_\_\_\_  
Number Street City County

State and Zip Code \_\_\_\_\_ Current phone or nearest phone \_\_\_\_\_

Previous Address \_\_\_\_\_ (Answer only if position for which you are applying requires driving.)  
Number Street City State Zip Code

If hired, can you furnish proof of: Age?  YES  NO U.S. Citizenship?  YES  NO  
 Are you an Alien legally entitled to work in U.S.?  YES  NO  
 Licensed to drive car?  YES  NO  
 Is license valid in this state?  YES  NO

Have you ever been employed by this company?  YES  NO If so, when and where last employed? \_\_\_\_\_ Position \_\_\_\_\_

	School Attended	No. of Years	Name of School	City/State	Graduate?	Course or College Major	Average Grades
EDUCATION	Sr. High						
	Tech.						
	College					Degree:	
	Other						

U.S. MILITARY SERVICE	Branch of Service	Date Entered Service	Date of Discharge	Highest Rank Held	Service-Related Skills and Experience Applicable to Civilian Employment

What experience or training have you had other than your work experience, military service and education? (Community activities, hobbies, etc.) \_\_\_\_\_

I am interested in the position of \_\_\_\_\_

Or the following specific job \_\_\_\_\_

I am seeking:  
 Temporary Employment  
 Regular Employment  
 If temporary, indicate dates available \_\_\_\_\_

I am available for:  
 Part-Time Employment  
 Full-Time Employment  
 If part-time, indicate maximum hours per week \_\_\_\_\_  
 Are there any hours or days during the week when you would not be available to work?  
 YES  NO If yes, explain: \_\_\_\_\_

Have you been convicted during the past seven years of a serious crime involving a person's life or property, or a crime involving drugs?  
 YES  NO If yes, explain: \_\_\_\_\_

(NOTE: Conviction of a crime is not an absolute bar to employment — all circumstances will be considered.)

# REFERENCES

LIST BELOW YOUR FOUR MOST RECENT EMPLOYERS, BEGINNING WITH THE CURRENT OR MOST RECENT ONE. IF YOU HAVE HAD LESS THAN FOUR EMPLOYERS, USE THE REMAINING SPACES FOR PERSONAL REFERENCES. IF YOU WERE EMPLOYED UNDER A MAIDEN OR OTHER NAME, PLEASE ENTER THAT NAME IN THE RIGHT HAND MARGIN IF APPLICABLE. ENTER SERVICE IN THE ARMED FORCES ON THE REVERSE SIDE.

NAMES AND ADDRESSES OF FORMER EMPLOYERS, BEGINNING WITH THE CURRENT OR MOST RECENT			Nature of Employer's Business	Name of your Supervisor	What kind of work did you do?	Starting Date	Date of Leaving	Pay at Leaving	Why did you leave? Give details
NOTE: State reason for and length of inactivity between present application date and last employer.									
1	Name					Month	Month	Per Week	
	Address	Tel. No.				Year	Year		
	City	State	Zip Code						
NOTE: State reason for and length of inactivity between present application date and last employer.									
2	Name					Month	Month	Per Week	
	Address	Tel. No.				Year	Year		
	City	State	Zip Code						
NOTE: State reason for and length of inactivity between present application date and last employer.									
3	Name					Month	Month	Per Week	
	Address	Tel. No.				Year	Year		
	City	State	Zip Code						
NOTE: State reason for and length of inactivity between present application date and last employer.									
4	Name					Month	Month	Per Week	
	Address	Tel. No.				Year	Year		
	City	State	Zip Code						

I certify that the information contained in this application is correct to the best of my knowledge and understand that any misstatement or omission of information is grounds for disqualification from further consideration or for dismissal in accordance with Company policy. I authorize the references listed above to give you any and all information concerning my previous employment and any pertinent information they may have, personal or otherwise, and release all parties from all liability for any damage that may result from furnishing same to you. In consideration of my employment, I agree to conform to the rules and regulations of the Company and my employment and compensation can be terminated with or without cause, and with or without notice, at any time, at the option of either the Company or myself. In some states, the law requires that the Company have my written permission before obtaining consumer reports or police records on me, and I hereby authorize the Company to obtain such reports.

Applicant's Signature \_\_\_\_\_ Date \_\_\_\_\_

## NOT TO BE FILLED OUT BY APPLICANT

Hire Date	Rehire Date	Employee No.	Date Requested	Date Completed
FULL-TIME <input type="checkbox"/>	PART-TIME <input type="checkbox"/>	Physical examination scheduled for	REFERENCE REQUESTS	
	TEMP <input type="checkbox"/>	Physical examination completed	CONSUMER REPORT	
Dept. or Div.		Substance abuse test scheduled for	MVR Requested for Driver	
Job Title	Job Grade	Substance abuse test results received	Federal Withholding Tax (W-4)	Completed <input type="checkbox"/>
Job Code	Position Code	Timecard prepared	State Withholding Tax	Completed <input type="checkbox"/>
Compensation Arrangement/Rate	Hourly <input type="checkbox"/> Monthly <input type="checkbox"/>	Social Security Card Copied		
Manager Approving	Date Approved	I-9 Completed		
		Minor's Work Permit		
		Proof of Age		

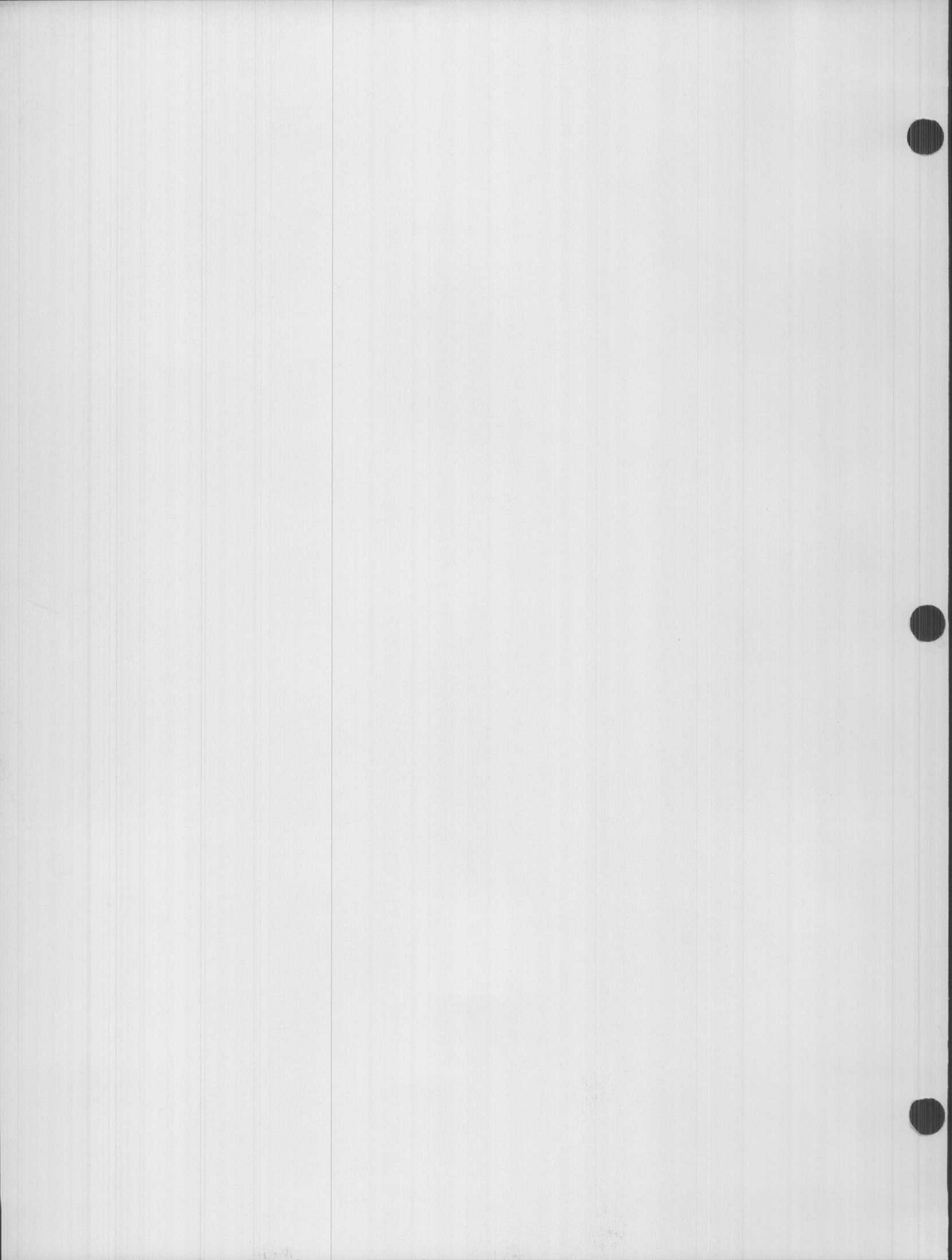
Location Name and Code \_\_\_\_\_

# Job Aid: Decision Work Sheet

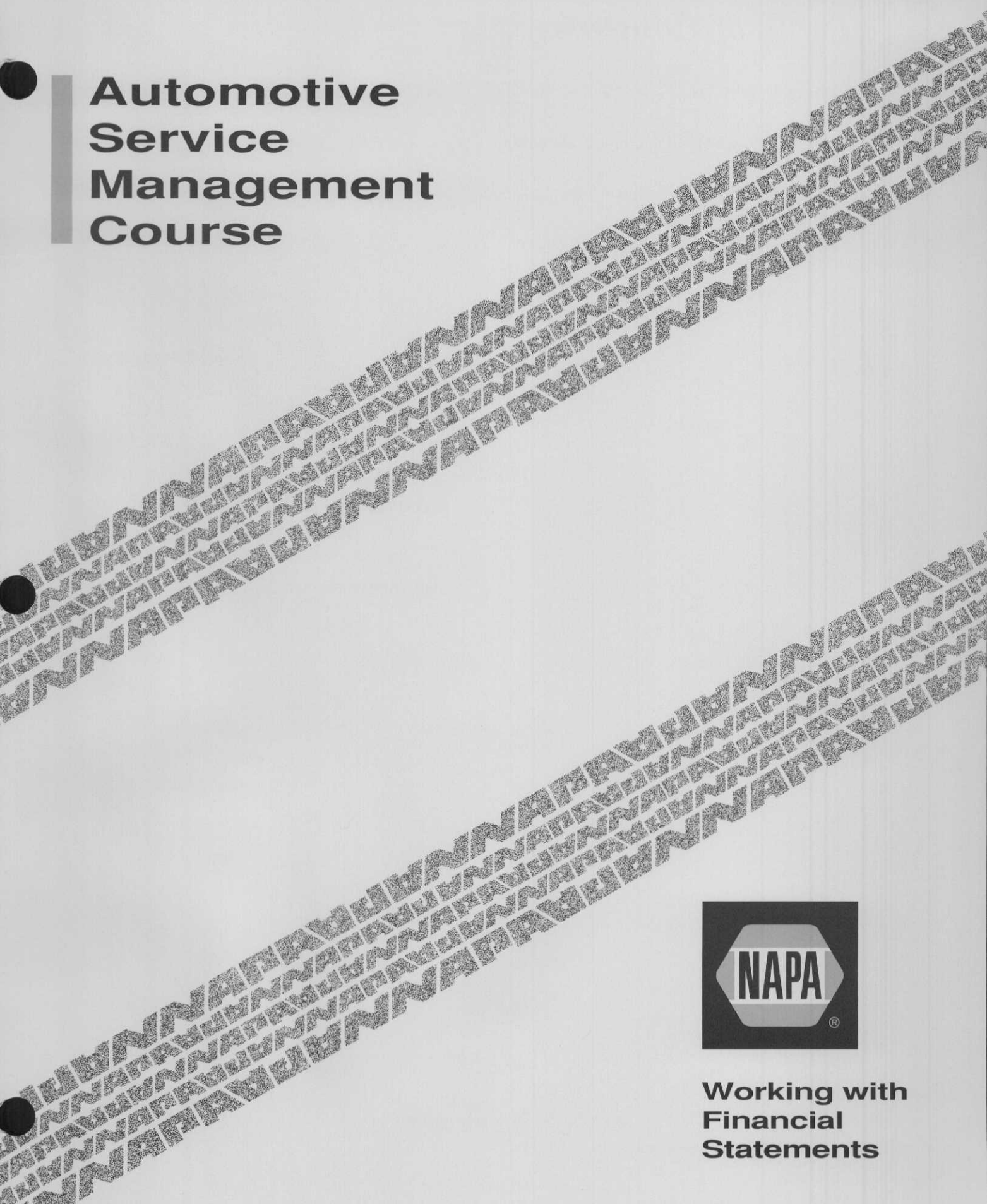
Decision Work Sheet												
Qualifications:	Must have	Want	Y	N	Y	N	Y	N	Y	N	Y	N
1. Job Knowledge/Skills												
2. Diagnostic Skills												
3. Speaking Skills												
4. Listening Skills												
5. Work Habits and Standards												
6. Initiative												

To use this work sheet, follow these steps.

- First, fill in the names of your applicants between the slanted lines on the top of the form. There is room for five names.
- Under point 1, list all the specific skills or responsibilities of the job.
- In the next column, check whether the skill is something that you must have, or if it's something you want but is not a necessity.
- In the next column, under the applicant's name, check either yes, they possess that skill, or no. Or, if you'd like, you'd like, you can use this approach: Record the degree to which you think the applicant has the skill. For example, use a scale of 1-5 or 1-10 (with 5 or 10 being high).
- Using the information from your interview guides, continue with the process outlined above. First, decide if it is a "must have" or a "want." Then identify whether the applicant has the ability or not.



**Automotive  
Service  
Management  
Course**



**Working with  
Financial  
Statements**



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*The thing that prevents managers from having  
financial control over their business is  
not knowing where they are.*

Automotive service owner, West Chester, PA

Created and produced by  
Golle & Holmes Custom Education  
Minneapolis, MN 55431

# Activity 1. Why Use Financial Statements

Owning an automotive service center is a major financial commitment. According to *Dun's Census of American Businesses, 1992*, the typical general automotive repair shop in the U.S.

- Generates between \$250,000 and \$499,000 annually in sales
- Employs almost four technicians.

As the owner, you've made a long-term investment in your business—an investment that will affect the well-being of your family, your employees, and your customers. It's impossible to manage this investment wisely unless you watch the numbers. This workbook is designed to help you do that.

## Watching the numbers

Successful financial management of your business begins with accurate information about your shop's revenues, expenses, assets, liabilities, and net worth. This information is found on two basic financial statements

- An **income statement** (also called a profit and loss statement)—a summary of your revenues, expenses, and profits for a given period of time
- A **balance sheet**—your business assets, liabilities, and net worth at a given moment. It presents a “still picture” of your financial condition at that moment.

**Question 1.** Which financial statement would you use to tell you each of the following?

Check either  **I** (income statement) or  **B** (balance sheet).

- |   |                            |                            |
|---|----------------------------|----------------------------|
| a. Your long-term debts                             | <input type="checkbox"/> I | <input type="checkbox"/> B |
| b. Your profit for the year                         | <input type="checkbox"/> I | <input type="checkbox"/> B |
| c. Your operating expenses                          | <input type="checkbox"/> I | <input type="checkbox"/> B |
| d. The amount of money in your bank savings account | <input type="checkbox"/> I | <input type="checkbox"/> B |
| e. The net worth of your business                   | <input type="checkbox"/> I | <input type="checkbox"/> B |
| f. The cost of sales (direct materials and labor)   | <input type="checkbox"/> I | <input type="checkbox"/> B |
| g. Your income for the quarter                      | <input type="checkbox"/> I | <input type="checkbox"/> B |
| h. The value of your parts inventory                | <input type="checkbox"/> I | <input type="checkbox"/> B |

**Answer 1:** The following items are found on a balance sheet: a, d, e, and h. The income statement tells you: b, c, f, and g.

## A word about cash flow

In addition to watching overall revenues and expenditures, you also need to pay attention to your monthly cash flow—the amount of money flowing into and out of your business each month. Obviously, you need enough cash coming in each month to cover payroll, taxes, mortgage/lease payments, utilities, suppliers' bills, and other current expenses. If business is

slow or if you are not collecting your receivables in a timely fashion, you may be forced to dip into your cash reserves or borrow money to meet ongoing expenditures. Cash flow from operations is usually tracked in a cash flow statement—a financial report that breaks down your sources of cash and uses of cash each month. A later module in this course will cover cash flow issues, including how to prepare a cash flow statement and what to do when you anticipate a negative cash flow.

### ***Preparing financial reports***

Regardless of what type of financial statements you use (balance sheets, income statements, or cash flow statements), you need accurate, timely financial data. This means having financial reports prepared for you at least quarterly (or, better yet, monthly).

Many shops have financial reports prepared professionally by an accountant or CPA. You can also purchase computer software packages that will enable you to generate your own reports as often as you like. You may want to consult with your accountant about current software packages that might be appropriate for your particular operation.

You are in a unique business. No matter how your financial reports are prepared, the format should be appropriate for the automotive service business. While generic financial statements may be acceptable, customized statements are far better. Talk to your accountant or CPA about the kind of information you need on your financial statements. You might show them the sample formats in this booklet. Make certain your financial data are presented in a usable manner.

### ***Staying in control***

If you don't control the financial aspects of your business, they will control you. The information on your balance sheet and income statement tells you where you are now and is the starting point for planning for and *controlling* your future.

The next two activities focus on what you should look for when reading your financial statements. We'll begin with the income statement.

## Activity 2. Reading an Income Statement



An income statement (also called a profit and loss or P & L statement) is a financial report that summarizes your business income, expenses, and profits for a given period of time.

The figures on an income statement will vary according to the size of your business. To illustrate the type of information that you typically find on an income statement, refer to the Sample Income Statement on the next page.

### ***What your income statement tells you***

An income statement itemizes your *revenues* and *expenses* over a period of time. Most of your revenues come from sales, but you could have other sources of income such as rents or interest which also appear on your income statement. The income statement generally reports three kinds of profit—gross profit, operating profit (often called operating income), and net profit (the bottom line).

$$\text{SALES} - \text{COST OF SALES} = \text{GROSS PROFIT}$$

$$\text{GROSS PROFIT} - \text{OPERATING EXPENSES} = \text{OPERATING PROFIT}$$

$$\text{OPERATING PROFIT} + \text{OTHER INCOME} - \text{OTHER EXPENSES} = \text{NET PROFIT}$$

**SAMPLE INCOME STATEMENT**  
**January 1, 199\_ to December 31, 199\_**

	Last Year	Percent	December 31	Percent
<b>Sales</b>	\$570,000	100%	\$580,000	100%
<b>Cost of Sales</b>				
Direct material	149,796	26.3%	162,342	28%
Direct labor	<u>183,084</u>	32.1%	<u>198,481</u>	___%
Total cost of sales	332,880	58.4%	360,760	62.2%
<b>Gross Profit</b>	237,120	41.6%	_____	37.8%
<b>Operating Expenses</b>				
Salaries, commissions, bonuses (for management/office workers)	36,480	6.4%	35,380	6.1%
Payroll taxes	18,150	3.2%	16,180	2.8%
Shop supplies	24,570	4.3%	12,180	2.1%
Repairs and maintenance	4,480	.8%	4,060	.7%
Rent and occupancy costs	33,630	5.9%	31,900	5.5%
Insurance	9,690	1.7%	12,180	2.1%
Legal and accounting fees	3,990	.7%	3,480	.6%
Interest	4,560	.8%	2,900	.5%
Depreciation	6,270	1.1%	8,700	1.5%
Employee benefits	8,550	1.5%	9,860	1.7%
Travel and entertainment	4,560	.8%	2,900	.5%
Auto and truck	9,120	1.6%	7,540	1.3%
Advertising	7,980	1.4%	4,640	.8%
Dues and subscriptions	1,710	.3%	1,160	.2%
Taxes (other than payroll)	1,800	.3%	1,800	.3%
Telephone	5,700	1.0%	4,060	.7%
Bad debts	570	.1%	1,160	.2%
All other misc. expenses	7,500	1.3%	5,800	1.0%
<b>Total Operating Expenses</b>	189,310	33.2%	165,880	28.6%
<b>Operating Profit</b>	47,810	8.3%	53,360	9.2%
<b>Other Income</b>	5,700	1.0%	4,060	.7%
<b>Other Expenses</b>	(6,840)	(1.2%)	(2,320)	(.4%)
<b>Net Profit</b> (before income taxes, note payments and owner's salary/draw)	46,670	8.2%	_____	9.5%

**Sales.** The first item on an income statement is your most important source of revenues—the net sales from your repair services, including parts and labor. Typically, your accountant will report a net figure, making allowances for returned goods.

**Question 1.** For this and all questions in this activity, refer to the Sample Income Statement. Compared to the previous year, did sales this year  go up or  go down?

**Answer 1:** They went up by \$10,000 this year.

**Cost of sales.** Next you find the cost of doing business. This item is the amount you paid for direct labor, parts, and other materials you bought for resale that were used in the various repairs you performed. Note that direct labor expenses include only the wages, commissions, or bonuses paid to technicians or other employees who handle repairs. Salaries paid to management or office workers are typically listed as operating expenses. Employee benefits are also listed under operating expenses. This allows you to separate overhead from the cost of generating sales.

**Question 2.** Last year, the direct labor costs represented 32.1% of the net sales. What percentage did it represent for the year just completed? \_\_\_\_%

**Answer 2:** To calculate the percentage, divide:

$$\frac{\text{cost of direct labor}}{\text{sales}} = \frac{\$198,418}{\$580,000} = 34.2\%$$

This means it cost more for technicians this year than last year (34.2% compared to the previous year's 32.1%). You may want to enter 34.2% in the blank space on your Sample Income Statement.

**Gross profit.** Gross profit is the amount left from sales after the cost of sales has been paid. Out of this gross profit, all expenses, drawings, taxes, and note payments are paid.

**Question 3.** What is the gross profit for this year? \$\_\_\_\_\_

**Answer 3:** To calculate the gross profit, simply subtract:

$$\begin{array}{rcl} \text{sales} & = & \$580,000 \\ - \text{cost of sales} & = & \underline{360,760} \\ \text{gross profit} & = & \$219,240 \end{array}$$

You may also want to enter this number on your Sample Income Statement. Note that the gross profit percentage of 37.8% is less than that for last year. So, while sales are up, gross profits are down.

**Set a target goal for gross profit percentages.** To stay in control of your finances, calculate your sales and cost of sales every month. Then set monthly goals for the gross profit percentage you want to reach. For example, let's say that you own the shop in our Sample Income Statement and want to maintain a gross profit of at least 40% of sales.

Whenever monthly gross profits slip below your goals, you know you must take steps to correct the situation. You can

- Increase sales
- Decrease direct labor/materials expenses
- Or do a little of both.

Waiting until the end of the year to learn that your gross profits fell from 41.6% to 37.8% is too late. Preparing quarterly or, preferably, monthly income statements will help keep you more informed about the financial performance of your shop.

**Operating expenses.** Operating expenses are the expenses charged to the operation of your business. You can see on our Sample Income Statement that there are many categories of operating expenses. The percentages allow you to quickly compare which items are going up and which items are costing you less.

**Total operating expenses.** By adding up all the separate expense categories, you come up with your total operating expenses. In our example, this year's operating expenses were \$165,880 compared to \$189,310 last year.

**Question 4.** State three reasons why operating expenses went down this year compared to last year.

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**Answer 4:** You should have listed the major operating expenses that went down considerably: shop supplies (2.1% compared to 4.3%), advertising (.8% compared to 1.4%), rent and occupancy (5.5% compared to 5.9%), and payroll taxes (2.8% compared to 3.2%).

**Depreciation.** Note that depreciation is listed here as an operating expense. Depreciation is not an actual cash outlay. Rather, it is a provision for using up the service life of machinery and equipment due to wear and tear. Each year's decline in the value of a machine or tool is charged against the operating expenses of your shop.

**Operating profit.** Operating profit (often called operating income) is the amount of profit (or loss) you made on the normal operation of your business. This year's operating profit is calculated by subtracting operating expenses from gross profit.

gross profit	=	\$219,240
- <u>operating expenses</u>	=	<u>165,880</u>
operating profit	=	\$ 53,360

**Other income and expenses.** Operating income does not include income from other sources such as interest on your bank accounts or investments. Nor does it include nonoperating or nonrecurring expenses. For example, let's say you lease a portion of your building to another company. The income and expenses from being a landlord would be listed as *other income* and *other expenses*.

**Net profit.** The bottom line of an income statement for a sole proprietorship is the net profit before income taxes, note payments, and owner's salary/draw. In a corporation, the owner's salary/draw would be treated as an operating expense.

**Question 5.** What is the net profit for this year? \$\_\_\_\_\_

**Answer 5:** The net profit is calculated by adding and subtracting:

operating profit	=		\$53,360
+ other income	=	+	4,060
- <u>other expenses</u>	=	-	<u>2,320</u>
net profit	=		\$55,100

Write this amount in the blank space on your Sample Income Statement.

### ***Break-even point***

A shop will break even when the gross profit is sufficient to pay all the operating expenses and the demands on profit (income taxes, note payments, and the owner's draw).

**Question 6.** Assume that the owner of the shop in the Sample Income Statement takes a \$3,500 monthly draw. His personal income taxes are paid from the draw. He also pays the bank \$750 each month on loans. Has this shop exceeded the break-even point for this year?

- Yes
- No



**Answer 6:** he has not yet exceeded break-even. However, he is close. He can only take another \$2,360 out of this business before he will be at break-even.

gross profit	=	\$219,240	
- operating expenses	=	165,880	
- demand on profit			
owner's draw	=	42,000	
note payments	=	<u>9,000</u>	
		\$2,360	(over break-even)

### ***Numbers to watch***

To get a fair profit from your business, it's vital that you keep a sharp eye on each category. If you don't keep a tight rein on expenses, they have a bad habit of getting out of hand. Some of the items you may want to watch include

- Salaries, commissions, or bonuses paid
- Interest expenses
- Bad debts.

**Question 7.** Assume that this year your shop had sales of \$300,000, cost of sales of \$150,000, operating expenses of \$100,000, and other income of \$10,000.

- What is the gross profit for the year? \$ \_\_\_\_\_
- What is the net profit for the year? \$ \_\_\_\_\_

**Answer 7:** The basic income statement would appear as follows.

sales	=	\$300,000	
- <u>cost of sales</u>	=	- <u>150,000</u>	
gross profit	=	\$150,000	(a)
- <u>operating expenses</u>	=	- <u>100,000</u>	
operating profit	=	50,000	
+ <u>other income</u>	=	+ <u>10,000</u>	
net profit	=	\$ 60,000	(b)

### ***How big of a bottom line do you need?***

Most shop owners are probably not earning enough from their business. That's the conclusion of one expert quoted in "Does Your Shop Pay You Enough?" *Motor Service* (April, 1989).

By the time you take into account a return on your investment, taxes, and note payments, you may need net profits of more than \$56,000 to generate a \$26,000 after-tax income for yourself.

If you're not earning this much, you may have an opportunity to increase your earnings. Financial statements—your income statement and balance sheet (which we discuss next)—are management tools to help you earn a better return on your personal and financial investment in your business.

## Activity 3. Reading a Balance Sheet

A balance sheet reports your assets, liabilities, and equity in your business *at a particular moment in time*. While the income statement reports financial data during a period of time (say, for the year, the quarter, or the month), the balance sheet gives you a “snapshot” of what you owned and owed on a particular day.

Study the Sample Balance Sheet on the next page. This financial report was prepared for the owner whose income statement we just studied. Let’s look at each major item on the balance sheet.

### Assets

Assets are anything *owned* by a business. There are two kinds of assets—current and fixed. They are listed separately because your current assets are available to pay current liabilities. Your fixed assets, on the other hand, may be valuable, but they’re not very liquid. That is, they cannot be quickly turned into cash. If you have a note due at the bank tomorrow, you need current, liquid assets on hand.

**Current assets.** Assets are normally considered current if they can be converted into cash within one year. The balance sheet lists assets in order of liquidity—beginning with those that are most easily converted to cash, followed by increasingly less-liquid assets. Thus, your balance sheet might list (in this order)

- **Cash**—bank checking and savings accounts.
- **Marketable securities**—Treasury bills, CDs, stocks, bonds, or other securities held by your company that are readily salable. (None appear on our Sample Income Statement).
- **Accounts receivable**—amounts due from customers for repair services, parts, or labor. Obviously, if you had to raise money to meet tomorrow’s payroll, it would be easier to sell shares of stocks than to collect receivables. So they appear after any marketable securities.
- **Inventory**—parts, raw materials, or other items held in inventory for future use. Footnotes to the balance sheet will report how these items have been valued. Generally, your accountant will list them either *at cost* (the price you paid for them) or *at the current market price*, whichever is lower.
- **Other current assets**—other assets that can reasonably be expected to be used within 12 months include: office supplies, cleaning equipment, delivery supplies, prepaid insurance, and similar items.

**Fixed assets.** Tangible assets that are relatively long-lived (more than one year) and relatively fixed (in size, shape, or form) or permanent are called fixed assets or plant assets. Examples include equipment, vehicles, your building, or the land itself.

**SAMPLE BALANCE SHEET**  
As of December 31, 199\_

	Last Year	This Year	Change
<b>Assets</b>			
Current assets			
Cash (in bank)	\$18,000	\$27,600	+ \$9,600
Accounts receivable	28,200	37,600	+ 9,400
Inventory	23,000	12,400	- 10,600
Other current assets	15,400	9,800	- 4,600
<b>Total current assets</b>	<b>84,600</b>	<b>87,400</b>	<b>+ 2,800</b>
Fixed assets			
Building, land, equipment (less depreciation)	111,600	104,400	- 7,200
Other assets	3,800	8,200	+ 4,400
<b>Total Assets</b>	<b>200,000</b>	<b>200,000</b>	<b>0</b>
<b>Liabilities and Net Worth</b>			
Current liabilities			
Notes payable	28,400	27,600	- 800
Accounts payable	27,400	28,000	+ 600
Taxes payable	16,400	13,200	- 3,200
<b>Total current liabilities</b>	<b>72,200</b>	<b>68,800</b>	<b>- 3,400</b>
Long term liabilities	44,200	21,000	- 23,200
<b>Total liabilities</b>	<b>116,400</b>	<b>89,800</b>	<b>- 26,600</b>
Net worth	83,600	110,200	+ 26,600
<b>Total Liabilities and Net Worth</b>	<b>200,000</b>	<b>200,000</b>	<b>0</b>

Except for land (which cannot be depreciated), fixed assets are valued at their cost minus the accumulated depreciation. So, if you bought a tool or a piece of equipment for \$1,000 four years ago and were depreciating it at a rate of \$200 per year, that tool would now be listed on your balance sheet as having a value of \$200.

**Question 1.** In what order would the following items appear on your balance sheet? In the box, write *1* for the item that would appear first, *2* for the next entry, and so on.

- a.  \$250 owed to you by a customer
- b.  \$750 in your checking account
- c.  New truck
- d.  100 shares of AT&T stock
- e.  10 batteries, held in inventory

**Answer 1:** The items would appear in their order of liquidity: 1 = b, 2 = d, 3 = a, 4 = e, 5 = c.

**Question 2.** Of the items listed in question 1, which (if any) are fixed assets? \_\_\_\_

**Answer 2:** The only fixed asset is c, the new truck. The rest are current assets because they could be converted to cash within a year.

### ***Liabilities***

Liabilities are anything *owed* by a business. As with assets, there are two kinds of liabilities—current liabilities and long-term liabilities.

**Current liabilities.** Current liabilities are short-term debts and obligations that come due and must be paid within 12 months. They include

- **Notes payable**—any bank loans or other borrowing that must be paid back within the year
- **Accounts payable**—money owed to your suppliers for parts, raw materials, suppliers, and services
- **Taxes payable**—all accrued federal, state, and local taxes
- **Accrued liabilities**—unpaid wages, salaries, commissions, interest, and other obligations. (None shown on the Sample Balance Sheet)

**Long-term liabilities.** Any amounts which must be repaid in future years are listed as long-term liabilities. This can include mortgage payments (less payments due in the next 12 months which are considered short term), long-term loans, or other obligations.

**Question 3.** Identify each of the following balance sheet items. Check  CA (current asset),  FA (fixed assets)  CL (current liability) or  LTL (long-term liability).

- |    |  |                             |                             |                             |                              |
|----|--|-----------------------------|-----------------------------|-----------------------------|------------------------------|
| a. | \$4,200 owed for next quarter's income taxes   | <input type="checkbox"/> CA | <input type="checkbox"/> FA | <input type="checkbox"/> CL | <input type="checkbox"/> LTL |
| b. | \$500 accounts receivable                      | <input type="checkbox"/> CA | <input type="checkbox"/> FA | <input type="checkbox"/> CL | <input type="checkbox"/> LTL |
| c. | \$1,200 accounts payable                       | <input type="checkbox"/> CA | <input type="checkbox"/> FA | <input type="checkbox"/> CL | <input type="checkbox"/> LTL |
| d. | \$5,000 municipal bond                         | <input type="checkbox"/> CA | <input type="checkbox"/> FA | <input type="checkbox"/> CL | <input type="checkbox"/> LTL |
| e. | \$750 bank loan, payable in seven months       | <input type="checkbox"/> CA | <input type="checkbox"/> FA | <input type="checkbox"/> CL | <input type="checkbox"/> LTL |
| f. | \$4,800 in mortgage payments, due this year    | <input type="checkbox"/> CA | <input type="checkbox"/> FA | <input type="checkbox"/> CL | <input type="checkbox"/> LTL |
| g. | \$10,000 balloon payment, due in three years   | <input type="checkbox"/> CA | <input type="checkbox"/> FA | <input type="checkbox"/> CL | <input type="checkbox"/> LTL |
| h. | \$500 in prepaid health insurance for the year | <input type="checkbox"/> CA | <input type="checkbox"/> FA | <input type="checkbox"/> CL | <input type="checkbox"/> LTL |

**Answer 3:** Current assets (CA) include: b, d, and h. No fixed assets (FA) are listed. Current liabilities (CL) include: a, c, e, and f. The only long-term liabilities (LTL) is g.

### ***Net worth***

From a financial standpoint, a business is always in a condition of equality. What you own equals what you owe—either to your creditors or to the owners/shareholders. This idea is expressed in the basic *balance sheet equation*.

$$\text{ASSETS} = \text{LIABILITIES} + \text{NET WORTH}$$

Thus, the net worth of a business (also often called the owner's equity or shareholder's equity) is the amount of assets remaining after all debts are paid. Look at our Sample Balance Sheet. Note that the assets always equal the liabilities + net worth.

$$\$200,000 \text{ (assets)} = \$89,800 \text{ (liabilities)} + \$110,200 \text{ (net worth)}$$

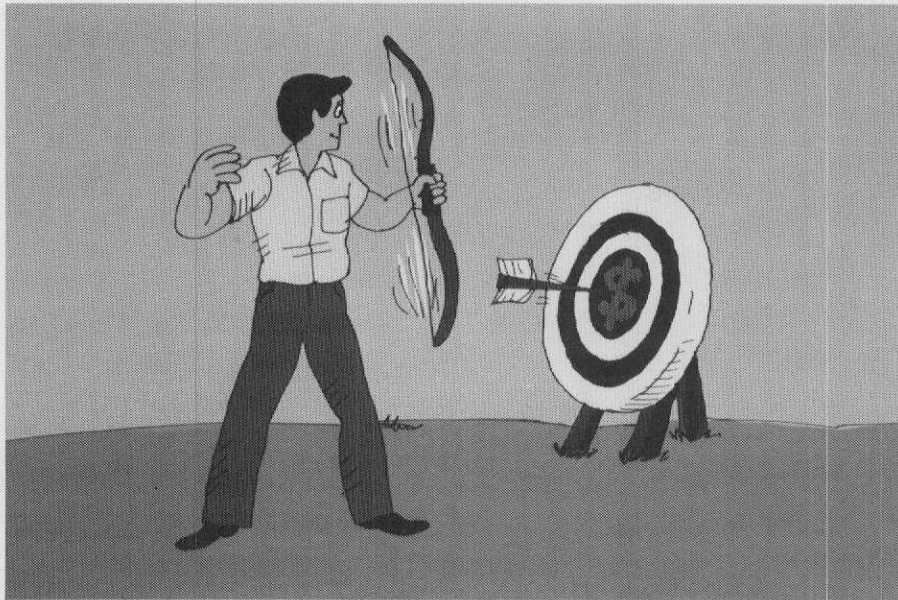
**Question 4.** An automotive service center has \$100,000 in current assets, \$75,000 in fixed assets, \$60,000 in current liabilities, and \$40,000 in long-term debt. What is the owner's equity in this business? \$\_\_\_\_\_

**Answer 4:** This business has \$175,000 in assets and \$100,000 in liabilities. Thus, the owner's equity (net worth) is \$75,000.

### ***What numbers to watch***

How do you know whether your balance sheet or income statement is good news or bad? If you owned the shop described by our Sample Balance Sheet and Sample Income Statement, would you celebrate or be worried about the future? The final activity in this workbook attempts to answer these questions.

## *Activity 4. Measuring Financial Success*



Your financial statements can help you determine whether your business is on target or not. And, even more important, if you find yourself missing the mark, you can begin immediately to take corrective actions to improve your aim.

There are a lot of numbers that you and your accountant may want to take a close look at. Let's examine a few of the most important measurements of financial success.

### *Five keys to value*

Financial reports become more meaningful when certain items from the balance sheet or income statement are combined as ratios. Five of the most popular ratios, or keys to value, are

- Operating profit margin
- Current ratio (or working capital ratio)
- Quick (acid test) ratio
- Debt to equity
- Return on investment.

**Operating profit margin.** One way to measure the profitability of your operation is to look at net profit (before interest and taxes) as a percentage of sales.

$$\frac{\text{net profit}}{\text{sales}} = \text{operating profit margin}$$

Look at our Sample Income Statement (page 4). Last year, the operating profit margin was 8.2%.

$$\frac{\$46,670 \text{ (net profit)}}{\$570,000 \text{ (sales)}} = 8.2\%$$

**Question 1.** What was the operating profit margin this year? \_\_\_\_%

**Answer 1:** This year's operating profit margin was 9.5% (\$55,100 / \$580,000).

Note that while the sales went up by only \$10,000, the operating profit margin improved substantially—from 8.2% to 9.5%. Profits usually increase or decrease more rapidly than sales when expressed in percentages because certain costs like interest, rent, or real estate taxes are fixed. Your goal should be to maintain or improve your operating profit margin every year. To do that, you need to watch expenses carefully (especially the variable ones) and make efforts to improve sales.

**Current ratio.** The current ratio, or working capital ratio, measures your shop's ability to pay its bills when they're due. On a balance sheet, working capital is current assets, less current liabilities. When the Sample Balance Sheet (page 10) was prepared on December 31 of the year, the shop had \$18,600 in working capital (\$87,400 - \$68,800). It is easier to know whether this sum is good or bad when you express it as a ratio.

$$\frac{\text{current assets}}{\text{current liabilities}} = \text{current ratio}$$

**Question 2.** What was the current ratio this year? \_\_\_\_\_

**Answer 2:** The current ratio was 1.27 to 1 (\$87,400 / \$68,800).

Generally speaking, most accountants recommend that you maintain a 2 to 1 current ratio. In other words, you should have at least \$2 in current assets for every \$1 in current liabilities. According to Financial Research Associates, in 1991 the median current ratio for auto repair services was 2.2 times; in the top 25%, successful shops had a current ratio of 3.8 times.



Thus, a current ratio of 1.27 to 1 is not very good. It could mean that the shop owner will have to scramble to pay notes and obligations when they come due. And, scrambling for working capital is one of the primary reasons why small businesses fail financially.

If you find yourself in a similar situation, you need to take steps to lower your current liabilities or increase your current assets. This could involve increasing sales, lowering expenses, or both.

**Quick ratio.** Another measurement of liquidity is the quick (acid test) ratio. It is similar to the current ratio, except it does not include inventories or other assets like cleaning supplies or prepaid expenses. These items are difficult to turn into cash immediately. So this ratio looks only at your “quick assets”—cash, marketable securities, and receivables. Many accountants consider the quick ratio an even better measurement of your shop’s ability to pay its bills than the current ratio.

$$\frac{\text{cash} + \text{securities} + \text{receivables}}{\text{current liabilities}} = \text{quick ratio}$$

**Question 3.** When the Sample Balance Sheet was prepared this year, what was the quick ratio? \_\_\_\_\_

**Answer 3:** Quick assets (cash + receivables) equaled \$65,200 (\$27,600 + \$37,600). Therefore, the quick ratio was .948 to 1 (\$65,200 / \$68,800).

Accountants usually recommend that you maintain a quick ratio of at least 1.0. This means that for every \$1 of current liabilities, you have at least \$1 of current assets (less inventory and other assets) to cover your bills. The median quick ratio for auto repair services in 1991 was 2.4; the median for shops in the top 25% was 2.7.

In this case, the quick ratio is slightly below the 1:1 guideline. This shop could experience liquidity troubles if it doesn’t watch out.

If you find yourself in a similar situation, talk to your accountant. Together, work out steps you can take now to put your business on firmer footing.

**Debt to equity.** So far, we have just been looking at a shop’s ability to meet its current obligations. What about the other debts? If your business were liquidated tomorrow, do you have enough equity in the business to cushion creditors’ claims? One way to answer this question is to calculate your debt to equity ratio.

$$\frac{\text{total liabilities}}{\text{net worth}} = \text{debt to equity}$$

For example, last year's balance sheet indicated a debt to equity ratio of:

$$\frac{\$116,400 \text{ (total liabilities)}}{\$83,600 \text{ (net worth)}} = 1.39 \text{ to } 1$$

In other words, the business had \$1.39 in total liabilities for every \$1 worth of owner's equity. In the case of liquidation, the owner could not have satisfied all the creditors. The net result could be bankruptcy.

**Question 4.** What is the shop's debt to equity ratio this year? \_\_\_\_\_ Was it  better or  worse than last year?

**Answer 4:** The debt to equity ratio for the year just completed was .815 (\$89,800 / \$110,200). This is considerably better than last year.

To be on the safe side, a financially healthy business should have a debt to equity ratio under 1. This means that you have at least \$1 in owner's equity for every \$1 in total liabilities. Even if your business were liquidated, you could still pay off your creditors and have something left for yourself.

But, of course, some debt is good for a business. You need to borrow to grow and remain competitive. Talk to your accountant about how much debt is right for your situation.

**Return on investment.** Your business is an investment. In return for the risk you bear, you deserve a decent return on your investment (ROI). How much? Well, compare your investment in your business with potential returns from other investments. Let's say that CDs are paying 6% and a mutual fund would earn you 10% annually. Surely, your business should do better than either of these alternatives.

There are many ways to measure your ROI. One common way is to measure the earnings that have been generated with the capital invested by all the owners of the business. For that reason, it is also sometimes referred to as return on net worth or return on equity.

$$\frac{\text{net profit (before taxes)}}{\text{net worth}} = \text{return on investment}$$

Note that, unlike our other ratios, this involves using both the income statement and the balance sheet. Last year, this shop had an ROI of 55.8%.

$$\frac{\$46,670 \text{ (net profit from the income statement)}}{\$83,600 \text{ (net worth from the balance sheet)}} = 55.8\%$$

**Question 5.** What is the shop's ROI this year? \_\_\_\_\_ Was it  better or  worse than last year?

**Answer 4:** The return on investment for the year just completed was 50% (\$55,100 / \$110,200). This is slightly lower than that of last year.

The median ROI for all auto service repair shops in 1991 was 20.5%. The average for shops in the upper quartile was 64.6%. So our sample shop had an above-average return on investment, but its ROI was not as good as that of the most successful automotive service centers in the country.

### ***Was this shop financially successful?***

As we have seen, determining the financial success of a business involves close scrutiny of the financial statements—especially the income statement and balance sheet. It is not good enough to look at the bottom line (net profit) as the sole judge of business success. As with the sample shop, regular calculation of the five key ratios below will tell the financial status of the business.

- Operating profit margin. This year, the case study shop increased its profit margin from 8.2% to 9.5%—good news indeed.
- Current ratio (or working capital ratio). Its current ratio of 1.27 to 1 is below the suggested 2:1 ratio. This could foreshadow potential liquidity problems unless steps are taken to correct the situation.
- Quick (acid test) ratio. Another test of liquidity, its quick ratio of .948, is just under the acceptable guideline of 1:1.
- Debt to equity. With a debt to equity ratio of .815 to 1, the owner knows that, even if the shop were liquidated, there is sufficient net worth to cover all the shop's debts.
- Return on investment. This year's ROI of 50% was less than the ROI for the previous year of 55.8%.

Was this shop successful? Indeed, but there is always room for improvement. By calculating these five ratios often, you will be in a better position to determine the financial success of your business. And, more important, if the answer isn't favorable, you can take steps to get control over your investment now, before it controls you.

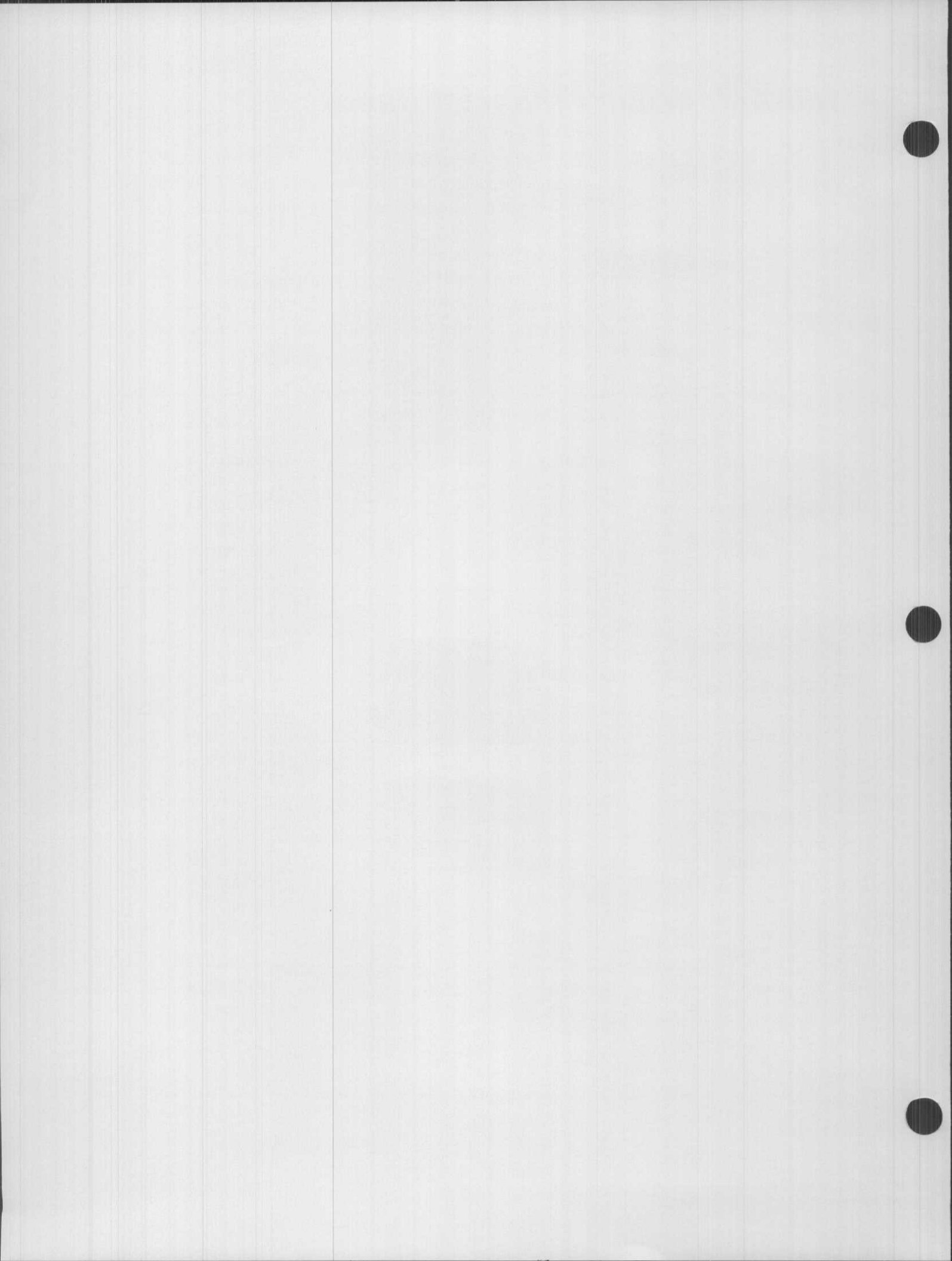
# Job Aid: Your Financial Ratios

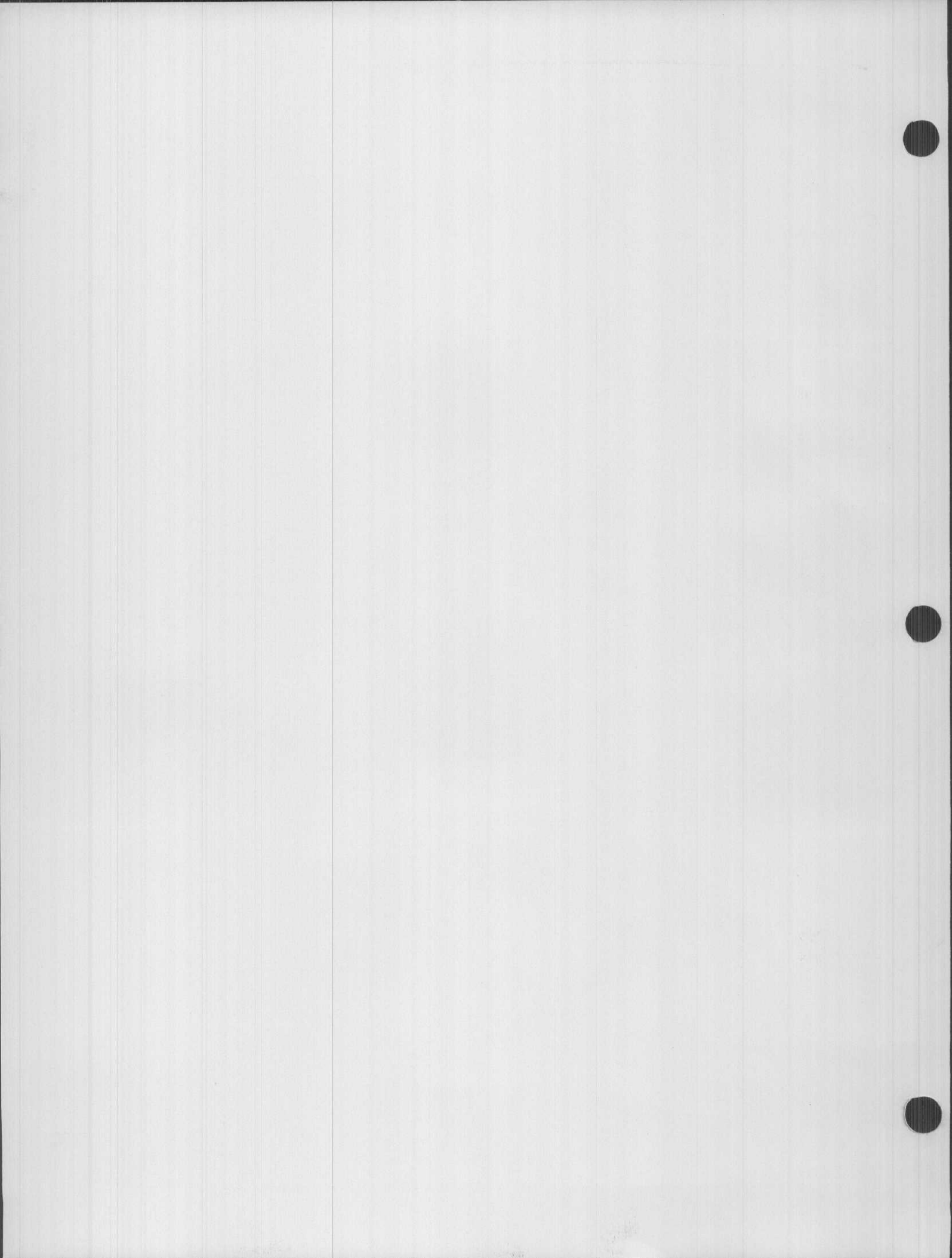
## WORKSHEET ICON

We urge you to have quarterly (or monthly) financial statements prepared for your business. Then use those reports to measure the financial success of your business.

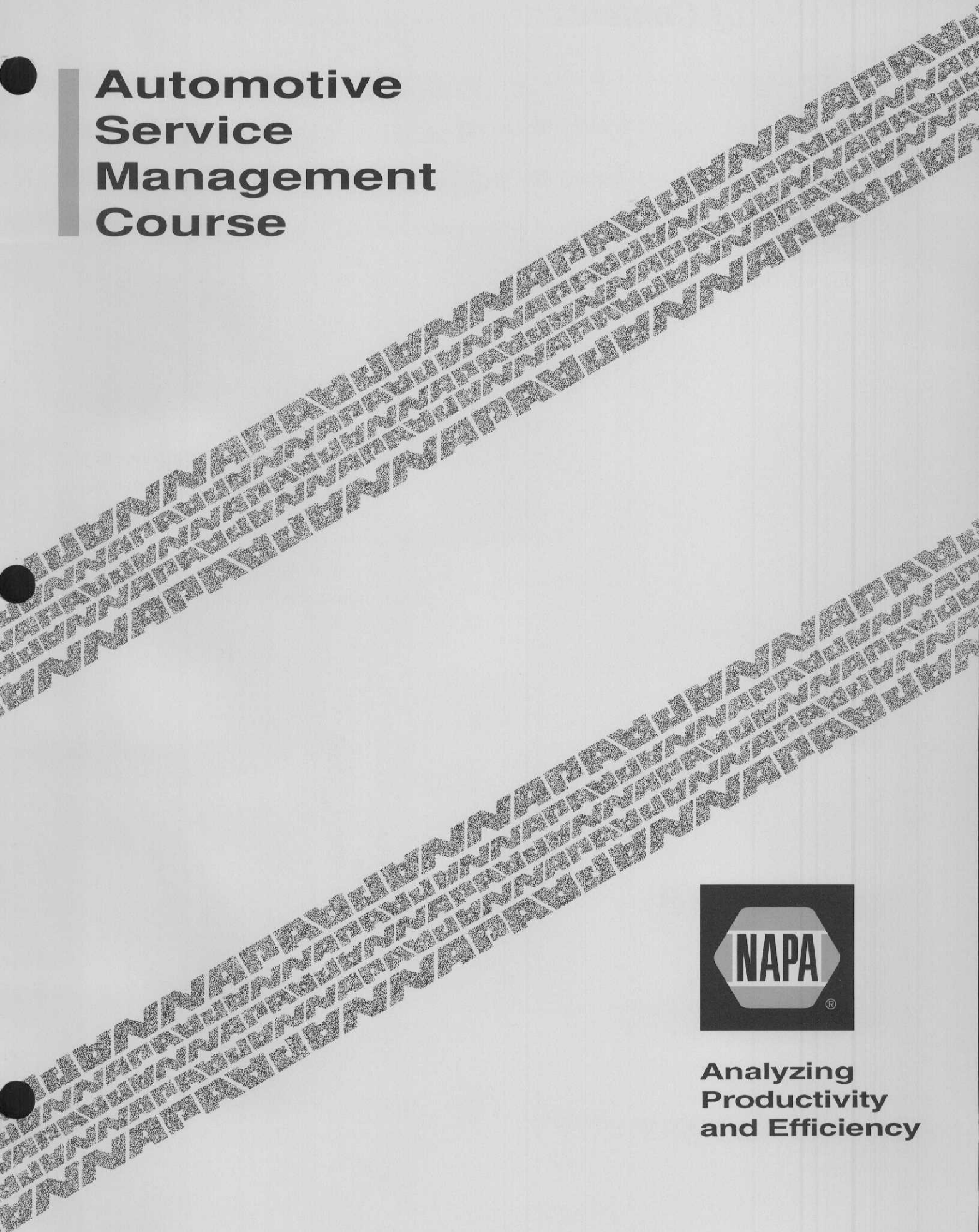
1. Duplicate the work sheet below.
2. Use it to analyze the financial success of your business.
3. If you don't like the news, work with your accountant to decide on a course of action you can take to improve the financial management of your operation.

<b>YOUR FINANCIAL RATIOS</b>			
<i>Financial ratio</i>	<i>Formula</i>	<i>Your numbers</i>	<i>Results</i>
<b>operating profit margin</b>	$\frac{\text{net profit}}{\text{sales}}$	\$ _____ = _____ \$	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor (seek help)
	Guideline: 10%		
<b>current ratio</b>	$\frac{\text{current assets}}{\text{current liabilities}}$	\$ _____ = _____ \$	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor (seek help)
	Guideline: 2:1		
<b>quick ratio</b>	$\frac{\text{cash} + \text{securities} + \text{receivables}}{\text{current liabilities}}$	\$ _____ = _____ \$	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor (seek help)
	Guideline: 1:1		
<b>debt to equity</b>	$\frac{\text{total liabilities}}{\text{net worth}}$	\$ _____ = _____ \$	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor (seek help)
	Guideline: under 1:1		
<b>return on investment</b>	$\frac{\text{net profit}}{\text{net worth}}$	\$ _____ = _____ \$	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor (seek help)
	Guideline: 20% (1991 average)		





**Automotive  
Service  
Management  
Course**



**Analyzing  
Productivity  
and Efficiency**

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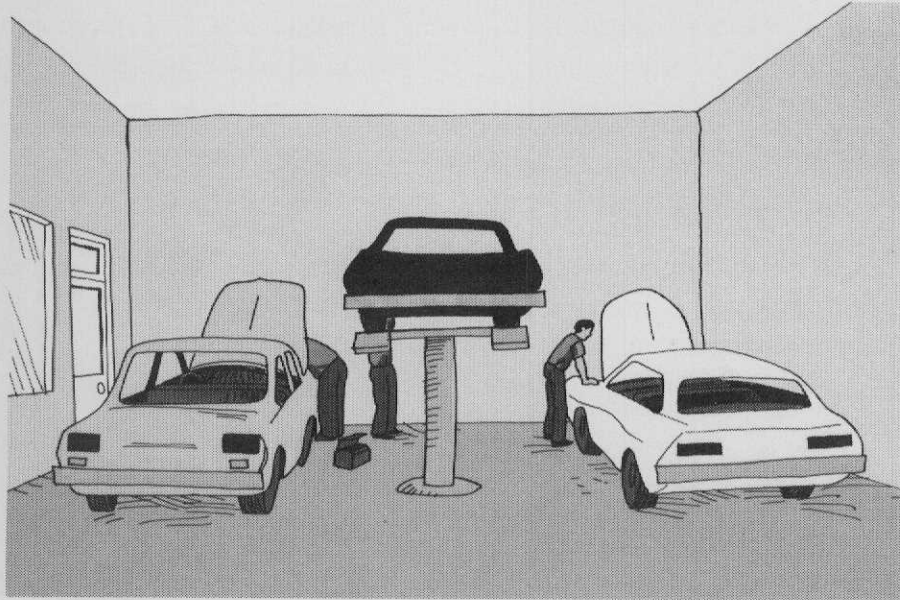
*There's no room for complacency.  
You need to squeeze the  
25th hour out of a  
24-hour day.*

Automotive service owner, Jefferson, LA

Created and produced by  
Golle & Holmes Custom Education  
Minneapolis, MN 55431



# *Activity 1. Productivity vs. Efficiency*



As the owner/manager of an automotive service shop, what do you have to sell? Parts? Labor? No, these are resources you use to generate sales. Time is the only real commodity you have to sell. That's why measuring and tracking how your technicians use their time is so important to your success.

Time is perhaps the most misused resource that most businesses have in inventory. Every hour spent waiting for a part, every idle conversation between two technicians, every minute looking for a misplaced tool—all mean lost dollars to your shop.

This booklet looks at technician productivity and efficiency—what they are, how to measure and track them, and what you can do to eliminate the time wasters. Analyzing your productivity and efficiency is vitally important because it is the first step to getting control over the key commodity in your business: technician time.

## *What are productivity and efficiency?*

People commonly confuse productivity and efficiency.

**Productivity** is simply a measure of the number of hours available versus the actual hours worked. If your shop is open for eight hours, the measurement would be against how many of those hours were actually spent on income-producing work.

**Efficiency**, on the other hand, is a measurement of time spent on a job versus the time billed for the job. Thus, if your technicians spend 1.5 hours to complete a one-hour job, they may be productive, but they are not very efficient. In contrast, if someone completes a repair job in half the billable time required and then sits around for the rest of the day, he may be efficient, but he isn't productive.

**Question 1.** Check whether each of the following technicians is  **P** (productive),  **E** (efficient),  **B** (both productive and efficient), or  **N** (neither productive nor efficient).

- a. Alex spends 1.5 hours completing a repair job that is listed in Mitchell as a 2-hour job. He then takes a break for 30 minutes.  P  E  B  N
- b. Brad clocks in at 1:00 and out at 5:00. He completes three jobs in less time than hours billed. Upon your request, he spends the rest of the day filling in for the cashier who became ill.  P  E  B  N
- c. In the middle of a repair job, Chris finds she needs a part. The trip she makes to the parts store takes over an hour, delaying the job.  P  E  B  N
- d. Tuesday was slow. Three of your technicians had nothing to do all afternoon.  P  E  B  N

**Answer 1:** (a) Alex is efficient, but not productive for the full two hours. (b) Brad is both productive and efficient; he has no idle moments. (c) Chris was productive but not efficient. (d) On Tuesday, your three technicians were neither productive nor efficient.

The rest of this manual looks at ways you can measure, track, and improve the productivity and efficiency of your technicians.

## ***Activity 2. Measuring and Tracking Productivity***

Productivity measures the number of hours available versus the hours actually worked. The best you can achieve is to have your technicians 100% productive — all technicians spending every hour working on a billable repair job or other assigned work-related tasks.

### ***Analyzing productivity***

The formula for analyzing productivity is hours worked divided by hours available.

$$\frac{\text{hours worked}}{\text{hours available}} = \text{productivity rate}$$

Thus, if a technician has productive work for 7 hours out of an 8-hour day, he is 88% productive.

$$\frac{7 \text{ (hours worked)}}{8 \text{ (hours available)}} = 88\% \text{ productivity}$$

**Question 1.** Measure the productivity of each of the following technicians.

- a. Dave is idle for 2 hours out of his an 8-hour shift.  
\_\_\_\_\_ % productivity
- b. Ed clocks in at 8:00 and out at 12:00 for lunch. During that time, Ed takes 2 hours to complete a brake job, 1 hour to diagnose an emissions problem, and 30 minutes to finish an oil change and lube job.  
\_\_\_\_\_ % productivity
- c. Fran works for 10 hours on Wednesday. During that time, she troubleshoots air conditioning problems for 6 hours and works the gas island for 4 hours.  
\_\_\_\_\_ % productivity
- d. Greg stretched a minor repair problem into a 2-hour job because no other repair jobs came in during his 8-hour shift.  
\_\_\_\_\_ % productivity

- e. Howard is paid for working 40 hours each week. He reported 7 hours of billable work on Monday and Tuesday, 6 hours on Wednesday, 5 hours on Thursday, and 4 hours on Friday.

**Answer 1:** (a) Dave:  $6/8 = 75\%$  productivity. (b) Ed:  $3.5/4 = 88\%$  productivity. (c) Fran:  $10/10 = 100\%$  productivity. (d) Greg:  $2/8 = 25\%$  productivity. (e) Howard:  $29/40 = 73\%$  productivity.

### ***Shop productivity***

You can also measure the productivity of your entire shop. This information can enable you to

- Compare an individual's performance with that of the shop as a whole
- Compare productivity rates at multiple locations
- Track seasonal variations so you can better plan for downtime.

The formula for analyzing shop productivity is essentially the same as the formula for analyzing individual productivity.

$$\frac{\text{total hours worked}}{\text{total hours available}} = \text{productivity rate}$$

Thus, if you pay three technicians to work a 40-hour week and they each report 34 hours of billable work during the week, your shop is 85% productive.

$$\frac{102 \text{ (total hours worked)}}{120 \text{ (total hours available)}} = 85\% \text{ productivity}$$

**Question 2.** ABC Repairs is a three-shop operation. Measure the shop productivity at each location for the week of October 1-7.

- a. Location A has only two technicians, both working a 40-hour week. The technicians report 30 and 35 hours of billable time.  
\_\_\_\_\_ % productivity
- b. Location B has three technicians, all scheduled to work a 40-hour week. Two technicians report 40 hours each of billable time. The third works 5 hours overtime, reporting 45 hours of billable work.  
\_\_\_\_\_ % productivity
- c. Location C has four technicians, all paid for a 40-hour week. The technicians report 38, 37, 35, and 20 hours of billable work for the week.  
\_\_\_\_\_ % productivity

**Answer 2:** (a) Location A:  $65/80 = 81\%$  productivity. (b) Location B:  $125/125 = 100\%$  productivity (the maximum possible). (c) Location C:  $130/160 = 81\%$  productivity; without the one unproductive technician, the rate would have been  $110/120 = 91\%$ .

As illustrated by Location C, one unproductive employee can erode the overall productivity of an entire shop. As the manager, once you know the situation, you can take steps to improve the productivity of that employee. That's why it is important to track productivity individually as well as for the team as a whole.

### ***Tracking productivity***

*The only way to track productivity accurately is to have technicians clock in and out at the beginning of each repair job. Computerized time management systems can enable you to record times automatically and will generate reports for you. Or, you can have each technician record times manually on a tracking sheet similar to the one on the next page.*

## PRODUCTIVITY TRACKING CHART

Technician JON JONES

Rate      %

Period MARCH 1-7

Goal 85 %

Available 8 HOURS/DAY or 40 HOURS/WEEK

JOBS*	SUN	MON	TUE	WED	THU	FRI	SAT
1 in 1 out >time		8:00 8:45 >0.75	7:45 9:45 >				
2 in 2 out >time		9:15 10:00 >1.25	10:00 11:30 >				
3 in 3 out >time		10:15 12:15 >2.00	12:45 1:30 >				
4 in 4 out >time		1:00 2:00 >1.00	1:30 3:00 >				
5 in 5 out >time		2:30 4:30 >2.00	4:00 4:45 >				
6 in 6 out >time							
hours worked		>7.00	>	>6.00	>5.00		>8.00
Prod. rate		88%	%				

$$\frac{\text{hours worked}}{\text{hours available}} = \text{productivity rate}$$

**Question 3.** Study the productivity tracking chart on the previous page. On Monday, Jon Jones was paid for an 8-hour day (8:00 a.m. to 5:00 p.m. with one hour for lunch). As you can see, he logged in for a total of 7 hours of billable work. Thus, his Monday productivity rate was  $7/8 = 88\%$ .

What was Jon's productivity rate for Tuesday? Mark your answers on Jon Jones' chart.

- At the arrow ( $>$ ), tally the number of hours for each job on Tuesday.
- Under "hours worked," tally the total hours actually worked on Tuesday.
- Under "Prod. rate," calculate his productivity for Tuesday.

**Answer 3:** (a) Job 1 = 2.0 hours; job 2 = 1.5; job 3 = .75; job 4 = 1.5; job 5 = .75. (b) Thus, Jon worked 6.5 hours on Tuesday ( $2 + 1.5 + .75 + 1.5 + .75 = 6.5$  hours). (c) His productivity rate is  $6.5/8 = 81\%$ .

**Question 4.** The chart also lists Jon's total work each day during the rest of the week. (He has Friday off.) What is Jon's productivity rate for the week? \_\_\_\_ %

**Answer 4:** Jon clocked in 32.5 hours of work during an 40-hour work week ( $7 + 6.5 + 6 + 5 + 8 = 32.5$ ). Thus, his productivity rate is  $32.5/40 = 81\%$ . This is slightly under the 85% goal for the week.

**Question 5.** Tracking team productivity is simply a matter of using the system described for Jon for everyone. Jon's productivity rate is 81%. He works with three other technicians whose productivity rates for the week are 85%, 72%, and 90%. Calculate the average shop productivity rate for the week by averaging the percentages. \_\_\_\_ %

**Answer 5:** The shop productivity rate is  $81\% + 85\% + 72\% + 90\% = 328\%/4 = 82\%$ . Thus, Jon's productivity is average for the shop.

Tracking productivity gives Jon and his manager raw data. They can use this information to decide how Jon could become more productive by utilizing his time more fully. For example, assuming the shop has enough work to keep Jon busy, fewer breaks or shorter lunch hours could improve his productivity.

But even if Jon is 100% productive, he may not be working efficiently. Measuring efficiency is the subject of the next activity.

## ***Activity 3. Measuring and Tracking Efficiency***

Efficiency is a measurement of time spent on a job versus time billed for the job. This usually applies to the flat rate system of costing for a labor operation.

### ***The flat rate system***

Many shops use "flat rate" manuals to charge for technicians' time. When a new car is built, each manufacturer does a time and motion study on maintenance and repair tasks. These studies become the basis for reimbursing dealerships for warranty repairs. Automotive service centers often use this information to bill labor at their shop.

**Factory (OE) labor manuals.** Automotive dealerships generally use factory (OE) labor time manuals developed by the automotive manufacturer. These manuals specify the time required to perform each task based on the time and motion study of the operation. A dealer technician who is familiar with the product line and is using required special tools can generally achieve productivity levels of 125%. That is, if the manual specifies that a repair job can be done in an hour, a trained technician can usually complete the same task in about .8 of an hour (or 48 minutes).

**Other flat rate manuals.** The most common non-factory flat rate manuals used today are Motor, Mitchell, and Chilton. The time estimates in these manuals are inflated as much as 25% to 60% over factory times. Times are increased to account for unfamiliarity with vehicles, additional time for parts procurement, and other factors. For a trained, properly equipped technician, you would expect to see efficiency numbers much greater than 125%.

### ***Analyzing efficiency***

Since efficiency is so closely tied to the profitability of your shop, it's important to measure technician efficiency regularly.

If you use the flat rate, measure efficiency by dividing billable hours by hours worked.

$$\frac{\text{billable hours}}{\text{hours worked}} = \text{efficiency rate}$$



For example, assume that your technician completes a job in 45 minutes; the labor allowance in a time schedule manual for that job is one hour. That technician has an efficiency rate of 133%.

$$\frac{1.00 \text{ (billable hours)}}{0.75 \text{ (hours worked)}} = 133\% \text{ efficiency}$$

Results above 125% may mean that the technician is working very efficiently. Percentages under 100% indicate a financial loss to your business. Your technician is taking more time than hours billed to complete jobs.

**Question 1.** Measure the efficiency of the following technicians.

- a. Ike takes 2 hours to complete a 1.5-hour job.  
\_\_\_\_\_ % efficiency
- b. Jake takes 1 hour, 35 minutes, to complete a 2-hour job.  
\_\_\_\_\_ % efficiency
- c. Kevin works for 5 hours. In that time, he produces 6.5 billable hours of work.  
\_\_\_\_\_ % efficiency
- d. Larry works for 8 hours on Tuesday. During that time, he completes four repairs jobs listed in Chilton's as billable at 2.0 hours, 1.25 hours, 1.0 hours, and 4 hours.  
\_\_\_\_\_ % efficiency

**Answer 1:** (a) Ike:  $1.5/2 = 75\%$ . (b) Jake:  $2/1.58 = 127\%$ . (c) Kevin:  $6.5/5 = 130\%$ . (d) Larry:  $8.25/8 = 103\%$ .

**Question 2.** Measure the productivity and the efficiency of the following technicians.

- a. Monty takes 1 hour to complete a 1.8-hour job. Since the shop is slow, he spends the rest of the morning talking to the other technicians. Monty is paid for 4 hours of work.  
\_\_\_\_\_ % productivity  
\_\_\_\_\_ % efficiency
- b. Nathan clocks in after lunch at 1:00. He completes a 3.5-hour job in 3 hours. At 4:00, he takes a 15-minute break, then completes a 45-minute job in 30 minutes. He talks to a friend until 5:00 quitting time.  
\_\_\_\_\_ % productivity  
\_\_\_\_\_ % efficiency

**Answer 2:** (a) Monty:  $1/4 = 25\%$  productivity;  $1.8/1 = 180\%$  efficiency.  
(b) Nathan:  $3.5/4 = 88\%$  productivity;  $4.25/3.5 = 121\%$  efficiency.

### ***Tracking efficiency***

To track efficiency, you need to know the billable flat rate for each repair job and the amount of time the technician took to complete that job. Many computerized billing systems will record times automatically and generate reports for you. Or, by adding this information to the productivity tracking system described previously, you can use this same manual system to track both productivity and efficiency.

Note that the only item added to the manual tracking system is information on the flat rate allowance for each repair job. It's listed with an asterisk (\*) the "f.rate" after the "time." Hours worked are tallied in the "hours worked" row with an arrow (>); total billable hours for the day are tallied next under "hours billed" with an asterisk (\*).

## PRODUCTIVITY AND EFFICIENCY TRACKING CHART

Technician     JON JONES          Prod. Rate   81   %      Prod. Goal   85   %  
 Period     MARCH 1-7          Effic. Rate      %      Effic. Goal  125  %  
 Available     8 HOURS/DAY or 40 HOURS/WEEK    

JOBS	SUN	MON	TUE	WED	THU	FRI	SAT	TOT
1 in		8:00	7:45					
1 out		8:45	9:45					
>time		>0.75	>2.00					
f.rate		*1.00	*2.50					
2 in		9:15	10:00					
2 out		10:00	11:30					
>time		>1.25	>1.50					
f.rate		*1.50	*1.50					
3 in		10:15	12:45					
3 out		12:15	1:30					
>time		>2.00	>0.75					
f.rate		*2.00	*1.00					
4 in		1:00	1:30					
4 out		2:00	3:00					
>time		>1.00	>1.50					
f.rate		*1.50	*1.75					
5 in		2:30	4:00					
5 out		4:30	4:45					
>time		>2.00	>0.75					
f.rate		*2.00	*0.50					
hours worked		>7.00	>6.50	>6.00	>5.00		>8.00	>32.50
hours billed		*8.00	*	*7.00	*6.00		*10.00	*38.25
Prod. rate		88%	81%	75%	63%		100%	
Effic. rate		%	%	117%	120%		125%	

$$\frac{\text{hours worked}}{\text{hours available}} = \text{productivity rate}$$

$$\frac{\text{billable hours}}{\text{hours worked}} = \text{efficiency rate}$$

**Question 3.** Use Jon Jones' productivity and efficiency tracking chart on the previous page to answer the following questions.

- a. Jon was 88% productive on Monday. What is Jon's efficiency rate for Monday?  
\_\_\_\_\_ % efficiency
- b. How many billable hours did Jon produce on Tuesday?  
\_\_\_\_\_ billable hours
- c. What was Jon's efficiency rate on Tuesday?  
\_\_\_\_\_ % efficiency
- d. The chart lists his hours worked, hours billed, productivity rate, and efficiency rate for each day during the rest of the week. What is Jon's weekly efficiency rate?  
\_\_\_\_\_ % efficiency

**Answer 3:** (a) Monday:  $8 \text{ billable hours} / 7 \text{ hours worked} = 114\%$  efficiency.  
(b) Tuesday: add up the "f.rate" hours for each job;  $2.5 + 1.5 + 1 + 1.75 + .5 = 7.25$  billable hours. (c) Tuesday:  $7.25 / 6.5 = 112\%$ . (d): Jon had 38.25 billable hours for the week; his hours worked was 32.5; weekly efficiency rate:  $38.25 / 32.5 = 118\%$ . This is under the 125% weekly goal.

By tracking Jon's productivity and efficiency rate weekly, Jon and his manager can use this information to help Jon reach the target goals and, thus, improve the shop's overall profitability.

### ***Tracking shop efficiency***

By averaging the productivity and efficiency rates for each technician, you can come up with an overall efficiency rating for your shop. This information can help you, as the manager, set overall goals for improvement.

**Question 4.** Jon works with three other technicians. Their efficiency rates for March 1-7 were 130%, 110%, 140%. What is the shop efficiency rate? \_\_\_\_\_ %

**Answer 4:** The shop efficiency rate is  $118\% \text{ (Jon's rate)} + 130\% + 110\% + 140\% = 498\% / 4 = 124.50\%$ .

What if the shop owner is unhappy with any productivity rate under 85% or efficiency rate under 125% and would like to increase those rates? Some things managers can do to improve productivity or efficiency are the subject of the final activity.

## *Activity 4. Improving Productivity and Efficiency*



Many shop owners tend to think that improving productivity or efficiency means getting technicians to work harder. In most cases, however, the productive and efficient use of time really comes from helping people work smarter.

### *Factors affecting productivity and efficiency*

Obviously, telling your technicians to be more productive or efficient is unlikely to make them work smarter. Instead, you need to manage your business in a way that stimulates more productive, efficient use of time. We call this the “4 Es” of productivity and efficiency.

- Effective sales/marketing
- Efficient work environment
- Energetic employees
- Encouraging management

**Effective marketing/sales.** No one can be productive unless there is enough work coming into the shop to keep everyone busy. Improving employee productivity, therefore, begins with a proper marketing/sales plan—with advertising, promotion, selling additional repairs, and servicing your customers more effectively. These topics are covered in the Sales and Marketing segment of this course.

**Efficient work environment.** To work efficiently, technicians need a businesslike work space. Downtime spent escaping an uncomfortable working atmosphere, looking for the right tool, or waiting for a part to arrive is a productivity killer. Make certain that

- The bays are well lit, clean, and orderly.
- Each technician has all the necessary tools and equipment at hand to complete a repair job.
- You have an efficient parts sourcing system. Fast-moving parts should be kept in inventory. For other parts, you need a good ordering and delivery system to eliminate unnecessary downtime.

**Energetic employees.** When hiring technicians, pay special attention to the attitude of each applicant. It's very difficult to motivate people to work hard when they hardly want to work. Recruiting and selection are topics in the Personnel Management segment of this course.

**Encouraging management.** As the owner/manager, the way you manage your people has a direct bearing on their productivity and efficiency. Pay particular attention to:

- **Compensation plans.** The majority of shops use one of three wage plans. Some shops pay hourly wages. Others pay by commission on the billed hour. And still others use a combination of hourly plus commission. All plans have merit. Whatever plan you choose, consider the effect it has on productivity and efficiency. Does your compensation plan encourage people to use their time well? If not, should you consider a new plan?
- **Training.** If someone is not working smarter it may not be because he or she is lazy. Perhaps the technician lacks the skills or knowledge to complete a repair job efficiently. A technician who is constantly reading repair manuals or asking someone else to explain procedures is not working efficiently. Good training will have a positive effect on the quality and the quantity of work in your shop. Training is an investment that is more than paid back by the increased profit produced by the skilled technician.

**Question 1.** Ossie, a new hire, has a monthly productivity rate of 85% but an efficiency rate of only 95%. Your shop's average efficiency rate is 126%. What could be done to improve Ossie's efficiency rate?

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**Answer 1:** Since your shop's average is high, the problem seems to lie more with Ossie than with the shop as a whole. If one person is consistently low, perhaps training is the answer. But, if Ossie's efficiency or productivity rate used to be high but suddenly slips

for no apparent reason, talk to him. Maybe something is bothering him that you could help correct.

**Question 2.** Think about your own shop. How would you rate the “4 Es” of productivity and efficiency? Rate each item:

E for Excellent (consistently exceeds your own expectations and/or the competition)

A for Acceptable (occasionally exceeds expectations/competition)

I for Improvement Needed

U for Unacceptable (must be improved)

- |  |   |
|--|---|
| a. How effective is your marketing/sales effort? | <input type="checkbox"/> E <input type="checkbox"/> A <input type="checkbox"/> I <input type="checkbox"/> U |
| b. How efficient is the work environment?        | <input type="checkbox"/> E <input type="checkbox"/> A <input type="checkbox"/> I <input type="checkbox"/> U |
| c. How energetic are your technicians?           | <input type="checkbox"/> E <input type="checkbox"/> A <input type="checkbox"/> I <input type="checkbox"/> U |
| d. How encouraging is your management?           | <input type="checkbox"/> E <input type="checkbox"/> A <input type="checkbox"/> I <input type="checkbox"/> U |

**Answer 2:** If you gave yourself all high marks, congratulations. If not, you might want to look more closely at how your shop could improve its productivity and efficiency rates.

### ***Why worry about productivity and efficiency?***

Time is an inventory item that never stays on the shelf. It is always moving. If you're not keeping track of the productivity and the efficiency of your technicians, you're allowing an important resource, time, to slip away.

**Question 3.** Name one reason why improving productivity and efficiency is so important to your business.

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**Answer 3:** There are many benefits of improved productivity and efficiency. The most important ones include:

- More jobs will be completed in a shorter period of time. Therefore, costs will be reduced because less time is wasted.
- That translates into higher earnings because you are able to schedule and produce more work.
- And lower costs + higher earnings = greater profits.

People who aren't working productively and efficiently often lack pride in their work. Poor technician morale, in turn, has a negative impact on customer service and the profitability of your shop.

The bottom line is that when employees are using their time efficiently and working smarter, your business is apt to be more profitable.



# *Job Aid: Tracking System*



On the next page, you'll find a blank copy of the tracking system outlined in this booklet. Feel free to duplicate and use it to track the productivity of your technicians.

## *Setting goals*

You may want to track and chart productivity and efficiency for a minimum of two weeks before setting any goals. This allows you to identify any patterns in performance that will show you if productivity is below, above, or at acceptable levels.

Many owners want to achieve shop productivity rates in the 85%-90% range and shop efficiency rates in the 125%-130% range. It's unrealistic, however, to expect the same rates from everyone. Seasonal slow times, technician experience, difficulty of the repair job, and many other factors affect productivity and efficiency. You need to take these factors into account when setting specific goals for each technician and your shop as a whole so that your expectations are reasonable.

If someone is working below expectations, it is better to set small goals for improvement each week. For example, if you have a technician performing at only 100% efficiency, set 110% as the goal for a month. Then, gradually increase the goal until he or she reaches an acceptable level.

## *Monitoring progress*

Productivity and efficiency records let you track your employees' use of time. They provide a written history of an employee's job performance.

Keep the completed forms in the employee's personnel file. You can then compare your employees' productivity and efficiency over time to ensure that they reach their goals and keep their performance up. Compare performance with what it was last year, during the same month. This will help you account for seasonal fluctuations and plan accordingly.

## PRODUCTIVITY AND EFFICIENCY TRACKING CHART

Technician \_\_\_\_\_ Prod. Rate \_\_\_\_% Prod. Goal \_\_\_\_%

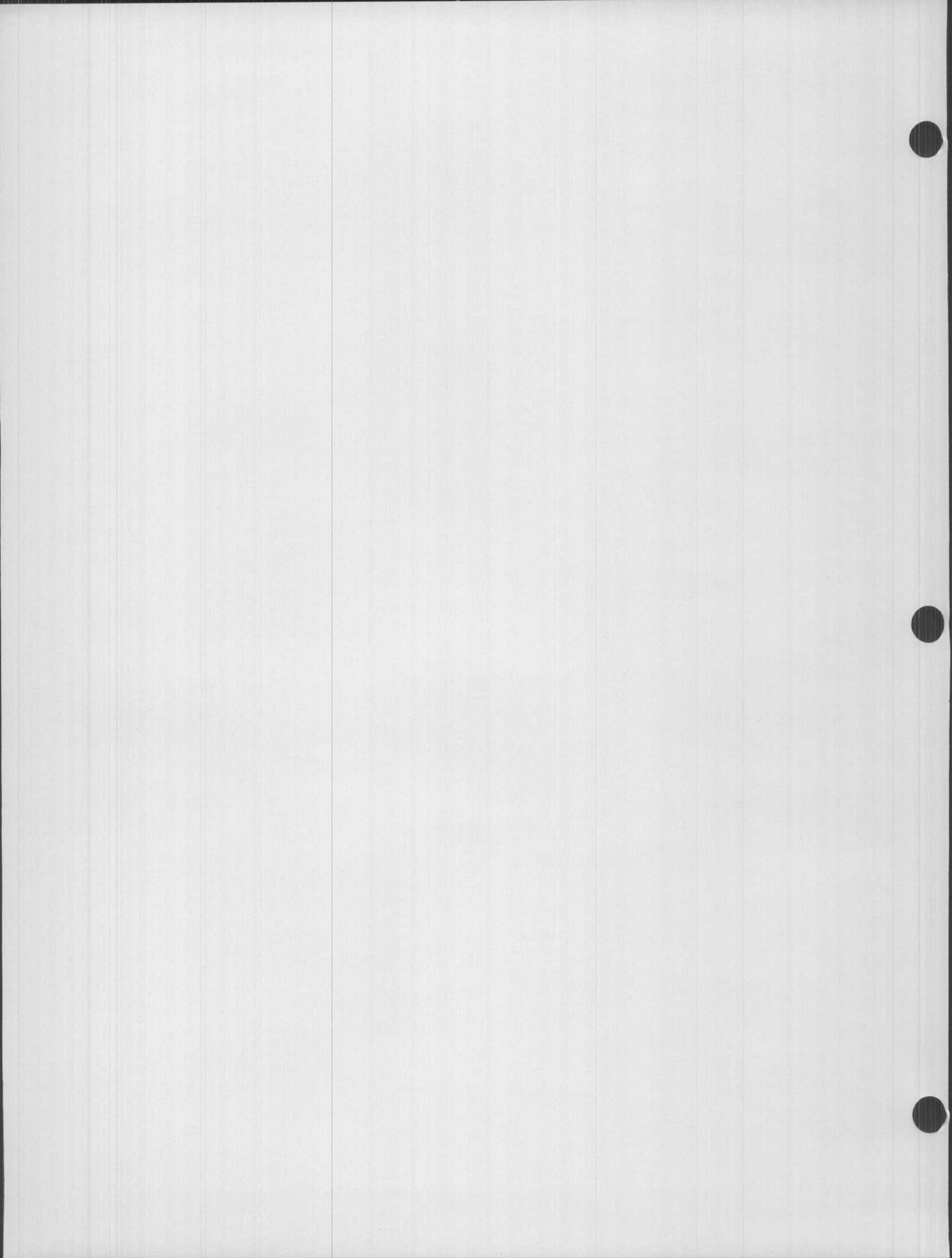
Period \_\_\_\_\_ Effic. Rate \_\_\_\_% Effic. Goal \_\_\_\_%

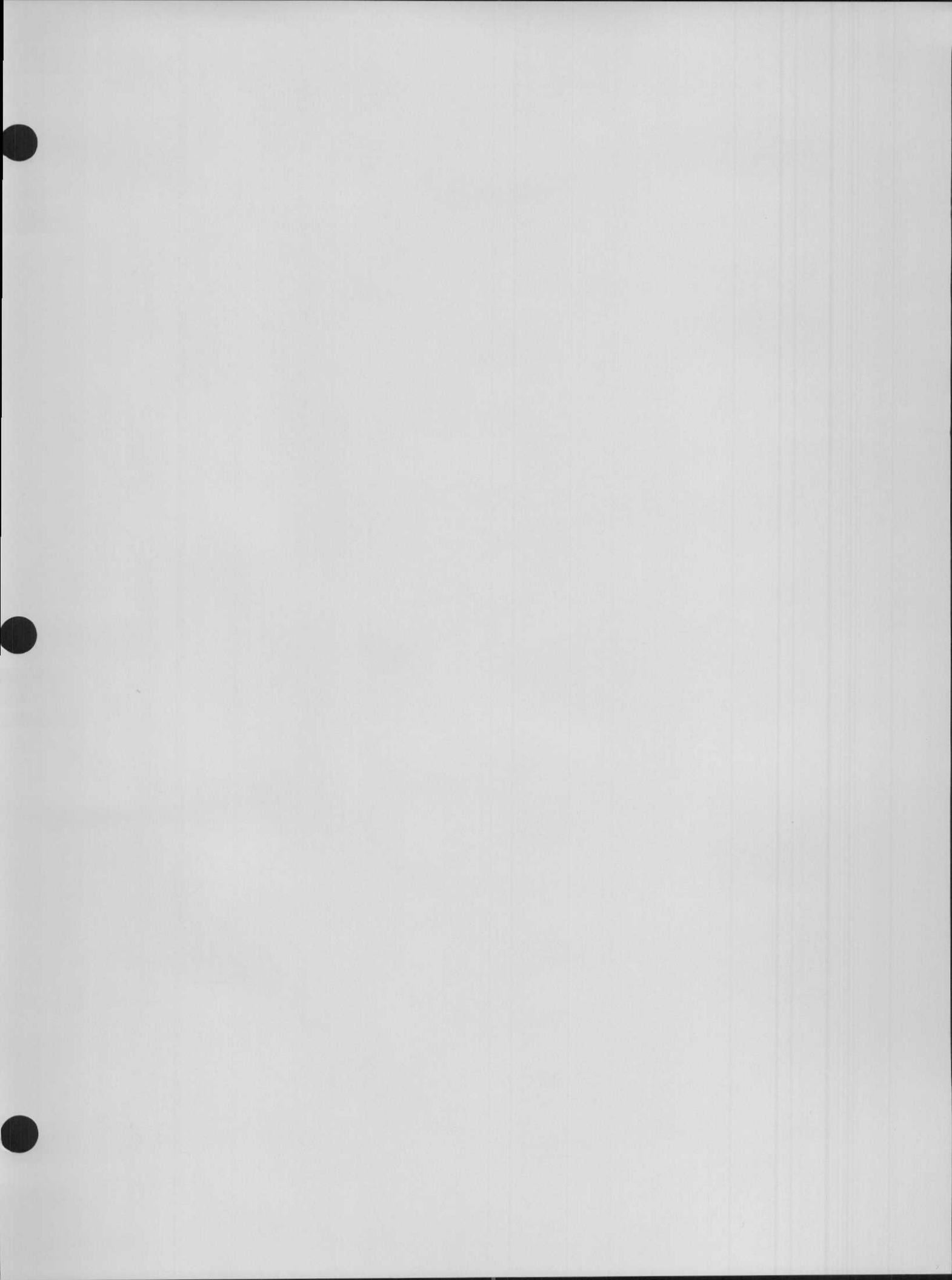
Available \_\_\_\_\_

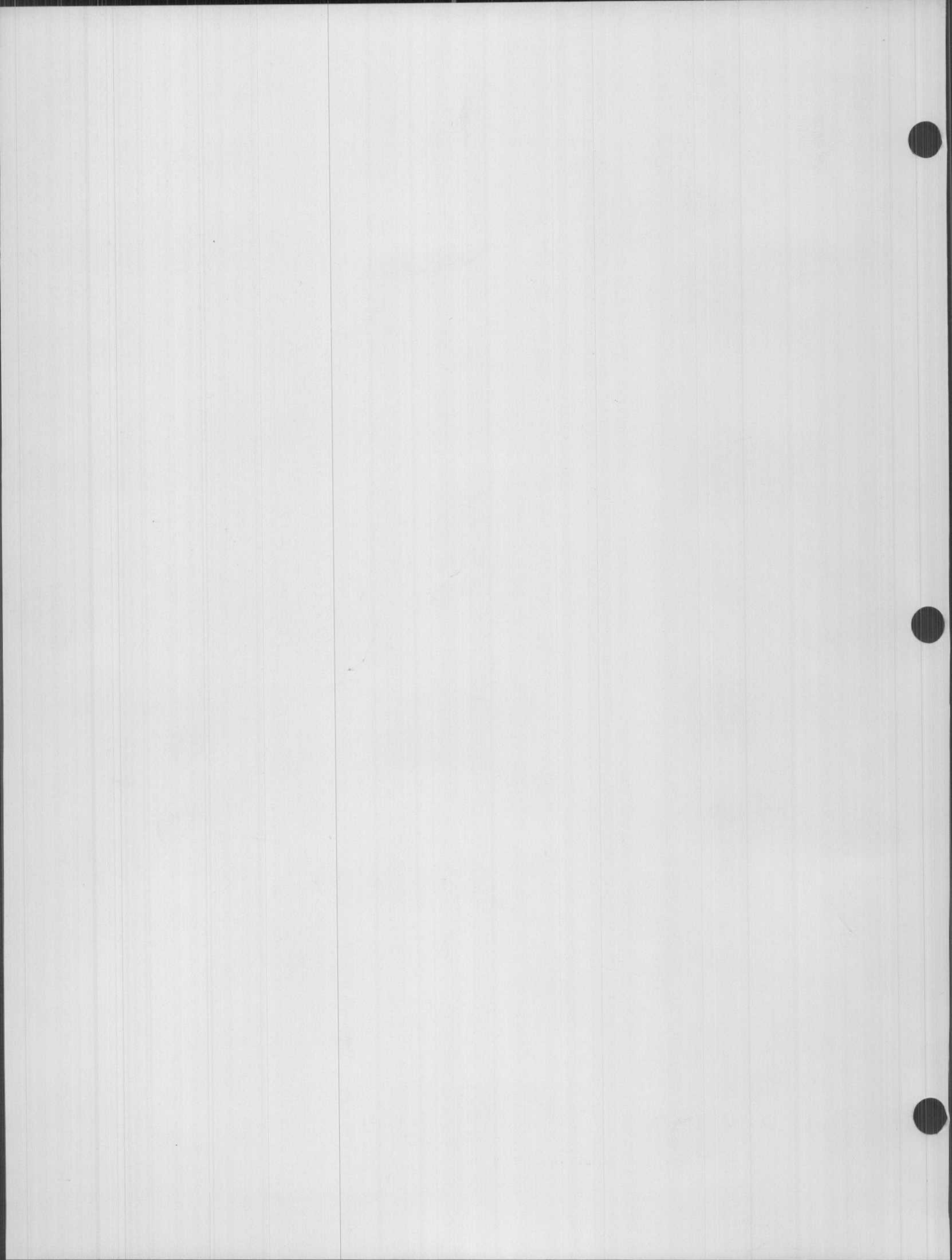
JOBS	SUN	MON	TUE	WED	THU	FRI	SAT	TOT
1 in 1 out >time f.rate								
2 in 2 out >time f.rate								
3 in 3 out >time f.rate								
4 in 4 out >time f.rate								
5 in 5 out >time f.rate								
hours worked								
hours billed								
Prod. rate								
Effic. rate								

$\frac{\text{hours worked}}{\text{hours available}} = \text{productivity rate}$

$\frac{\text{billable hours}}{\text{hours worked}} = \text{efficiency rate}$







**COURSE EVALUATION FORM**

*NAPA Automotive Service Management Course*

Thank you for participating in the *NAPA Automotive Service Management Course*. We strive to continually improve the quality of our offerings. Please take a moment to evaluate the booklets and tell us what other topics you'd like to see included in this series. If you include your name and address, we will send you the course certificate of completion. Thank you.

Your Name \_\_\_\_\_ Title \_\_\_\_\_

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Served by NAPA Store (Name and Address) \_\_\_\_\_

Please check (✓)

Topic	Very Useful	Somewhat Useful	Not Useful
Serving Your Customers			
Handling Customer Challenges			
Recruiting Employees			
Selecting New Employees			
Working with Financial Statements			
Analyzing Productivity and Efficiency			

What additional topics would you like to see covered in future booklets?

Sales & Marketing: \_\_\_\_\_

Personnel Management: \_\_\_\_\_

Business Management: \_\_\_\_\_

Please continue on reverse side.

NAPA is planning to offer one- or two-day seminars on the topics introduced in this *Automotive Service Management Course*. Would you be interested in receiving information about their availability? Yes \_\_\_\_\_ No \_\_\_\_\_

Please fold this, staple it, add a stamp, and mail to the address below. Thanks for your time and feedback.

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