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### **The Change Story of Yellow Auto Company**

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#### ***Executive Summary***

*Yellow Auto Automotive Company was operating as a dealer of a well-known global car company since 1989. It was owned and managed by a family. In the past, the company had faced many management problems, which had decreased employee satisfaction and commitment. The owners of the company had recognized that they should start a change process in order to achieve organizational goals. Changes were implemented in the area of human resources, management styles of the owners and professional relationships among the family members. At the end of the change process, Yellow Auto increased its market share, profitability and job satisfaction and organizational commitment of the employees.*

#### **Introduction of Yellow Auto Company**

Yellow Auto Automotive Company was built in 1989 by Can and Caner Sale. It was a family company and the shareholders were brothers. The capital invested in the company came from the owners' family assets and the owners also acted as managers.

Yellow Auto was one of the dealers of a well-known global car company. It had two stores in Gaziemir and in Camdibi. But they used the store in Camdibi for only after-sale service and providing spare parts to their customers. They were mainly located in Gaziemir. At that location, they sold automobiles and gave insurance services under written by a different company. Since the service area of Gaziemir store was

very limited, they had constructed a new plaza. When their plaza construction was finished, all the departments of Yellow Auto moved to Gaziemir, to their new place.

Yellow Auto was the dealer that sold a well known brand's cars in the area of Buca, Gaziemir, Tire and Odemis; small towns within the third largest city of Turkey. They also gave after-sale services in these areas. But personal selling of cars is mainly located in Gaziemir. Potential customers who were willing to get information about the cars visited the Gaziemir store. Also the sales team of Yellow Auto sold fleet of cars to large companies like Coca-Cola. They either kept an inventory of cars in Gaziemir or they bought from the parent company when demand arose. The first option was relevant for makes and models, which always had high demand in the market. The second option was relevant for cars which had special features and were designed according to the customers' needs.

Yellow Auto monitored and followed the technological developments and changes implemented by the parent company. They also trained their employees to easily adapt to these technological developments. Yellow Auto used computers for internal reporting and for product orders. For these purposes, a computer program, which was specially designed for the parent company and its dealers, was used. This program was called AS 400 and it utilized the Ethernet. The parent company and the dealers all used the same program to coordinate their activities. By the help of the program, customers could reach the dealers and the parent company.

There were about 50 people working in Yellow Auto. The president of board of directors was also the owner of Yellow Auto. As the top manager, he supervised three units. These were department of finance, department of sales and the department of after-sales services and spare parts. The sales department was organized into two subunits; in store-sales and active sales. For the unit of in-store sales, there was a team of sales people and a manager. They did not travel and they were responsible of making

sales to customers who visited the plaza. In the unit of active-sales, there was a manager and he supervised a sales team. This sales team aimed to attract customers to the store through face-to-face communication. Active sales unit completed procedural works for car licenses and license plates under the supervision of a manager. There were two subunits in the department of after-sale services and spare parts. The first subunit provided all after-sale services including insurance services and auto repair. The other subunit was responsible of providing spare-parts to auto repair unit timely. Coordination between two subunits is attained through the department manager. The department of finance worked in coordination with the parent company. All the financial reports should be prepared according to parent company's standards. Department of finance cooperated with a bank in order to provide customers credits for the sales.

There were many rules in the company but most of them were unwritten and in the minds of the family members. Employees did not have much autonomy while making decisions and they were expected to ask for every detail to their managers. All employees wore the same clothing, which consisted of a dark suit and a yellow tie or a yellow scarf, as a symbol of the institutional identity. Employees, who worked in the department of sales, had a base salary and got a premium for each sale. Their working hours were highly flexible and they were generally expected to work over time.

Yellow Auto preferred to recruit young, dynamic and well-educated people. Patience, good physical appearance, good interpersonal relationships and a smiling face were pluses for potential employees. Since Yellow Auto was operating in the service sector, they thought that these properties in employees would enhance customer satisfaction. They preferred to employ mechanical engineers who had experience in a similar field because of their accumulated technical knowledge. To recruit employees, job advertisement was sent to many newspapers. Selection of the applicants' CVs was based on the above-mentioned criteria. After this step, job candidates were invited to take a test, which measured their analytical and communication skills. Job candidates, who had high scores in these tests, were invited for the interviews. Owners, as the top managers of the company, attended all the interviews and they wanted to make the

final decisions. After the selection process, an orientation program was implemented. All the newcomers were required to attend this orientation program. The orientation program had two consecutive stages. The first stage was obligatory, mandated by the parent company. At this stage, newcomers attended the training program at parent company's head quarters and they learned the technical specifications of different car models. At the second stage, a training program was designed by Yellow Auto where the trainees went through an assessment center to find out at which unit they could be most successful.

Turkey offered a great market for automobile companies due to its population. Hence, there were many dealers of other well-known automobile brands. Besides, the parent company worked with different dealers in the same region where Yellow Auto operated. Thus, Yellow Auto focused strong competition in the market. In order to attract and satisfy a wide range of customers, Yellow Auto implemented different strategies based on customers' age, education, and income level. However, to increase customer satisfaction, Yellow Auto cannot change prices since they are determined by the parent company.

Achieving customer satisfaction was the main aim of Yellow Auto. They tried to increase customer satisfaction through providing all-inclusive service including car sale, insurance services, assistance in providing bank credits and technical assistance. Marketing activities, which were determined by Yellow Auto, were product advertisement and attending fairs and organizing events for different customer segments. For example, they organized dinners during Ramadan, which was the holy month of Muslims and aimed to attract the religious customers. To attract potential young customers, they organize night parties. They provided regular communication through those events and telephone conversations and text messaging with their existing customers.

## Change started in 2001

In 2001, the top managers of Yellow Auto determined a goal of having 50% of the market share in the region. To achieve this goal, firstly top managers focused on the human resources of the company. They believed that this goal could be achieved if and only if the human resources quality was increased in the company and they decided to grow through investing in human resources. This was a very risky decision because in 2001 Turkey experienced a huge economic crisis. Like every decision, this decision was also made by top managers without the participation of the middle and first line managers and employees. The top managers were aware of the risk level of their decision and they knew that the change process should be well managed. Hence, they decided to work with academicians working at a university in Izmir, Turkey. A team of academicians as external consultants accepted taking the responsibility of starting and managing the change process in the company. They started with analyzing the existing situation of the company and they tried to understand the expectations of the owners. At this stage, a search conference and many focus groups were organized with the participation of the top, middle and first line managers as well as the employees. They showed that there were some critical problems about the authority and responsibility distribution. Employees stated that it was not clearly known who was responsible of what and they complained about the lack of job descriptions. The findings of the job satisfaction survey, which was designed and analyzed by the academicians, supported the above findings. Also, it was found that the active sales team had some problems like not having sufficient information to respond to customers' complaints. They believed that through the existing methods they could not respond to customers' expectations timely in the case of achieving 50% of the market share. Besides, the service area of Yellow Auto was not sufficient to serve to larger customer segments.

Although the managing owners adapted an autocratic management style towards their employees, they were eager to cooperate with the consultants and they were very open to development efforts. Therefore, the consultants and top managers worked in an atmosphere of open communication and trust.

Change efforts firstly targeted physical working conditions. Office layout and lighting were redesigned and furniture and computers were renewed based on the suggestions of an interior architect. Besides, a landscape architect helped designing the outdoor facilities. Also, better catering services and a better location for relaxation were provided. These changes affected job satisfaction in a positive manner. In the following years, the conditions got even better in terms of catering services because Yellow Auto opened its own fast food restaurant in Gaziemir. For the personnel to look more presentable, a hairdresser was recruited at the plaza.

After these changes, for reorganization, interviews with all the employees in order to analyze their jobs started. Based on these interviews and observations, an attempt to clarify the job descriptions of the employees was made. Accordingly, it was seen that the tasks done by managing owners and the employees were overlapping. Therefore, they tried to distinguish between the tasks of owners and employees which was also a step towards institutionalization and towards greater participation of employees. Within this framework, in order to regulate the family relationships between owners, a family constitution was developed. Also, career plans were formulated for the younger generations of the family.

Besides, qualified personnel were recruited and staffed for positions according to “the right person for the right job” principle. During the following 3 months, these new comers were trained by the consultants about their jobs and interpersonal skills such as conflict resolution, group dynamics, communication, stress management and time management and customer relations. Besides those trainings, to create team spirit and increase coordination among the departments, an outdoor training was organized. By the help of the training programs, newcomers and already existing personnel blended. In addition, attempts were made at increasing the morale and commitment of the personnel.

At the end of the efforts that span a period of 2 years, the measurements showed that job satisfaction and organizational commitment increased dramatically for the employees in Yellow Auto. Owners and employees were happy about the change process results such as well defined job descriptions, occurrence of new organizational culture, which valued participation and commitment, and having a long term orientation for the future of the company.

In 2008, Yellow Auto had 54% market share in Izmir. The profitability of the company increased 25% when compared to its profitability level in 2001. A new plaza offered a wide service area where spare parts sales and maintenance services were provided in addition to car sales. Yellow Auto opened two additional stores around Izmir and increased its access to customers who lived in these areas. Owners were happy about these results. To sustain this performance, owners wanted to continue to invest in human resources. Thus, they made an agreement with a university located in Izmir to train students as the future employees of the company. According to this agreement, the university promised to open a new program to train selected students in the area of automotive retailing. By this way, future human resources of the company will be highly qualified and experienced in the sector.

### **Questions for analysis**

1. Discuss the factors which contributed to the success of the change process in terms of unfreeze, move and refreeze stages in force field analysis.
2. How do you evaluate the change efforts in terms of being transactional or transformational?
3. Why did the employees show no resistance to change in the company?
4. What are the factors that support the success of the change in this case?
5. What are the benefits of working with consultants as external change agents?
6. If you were one of the owners of the company, what would you do to sustain this success?