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High Performance Support for Performance Based Pay Plans

Complete you pay plan package with the utilization of the proper computer tools

The biggest benefit of superior utilization of automation is higher accuracy and productivity without higher staff cost

When working with a dealer client, creating pay plans, the first thing we do is come to a decision on what is the key behaviors the pay plan is intended to directly influence. For example let's look at a sales persons pay plan. While there are common elements to many sales person pay plans the key to influencing their actions is in the way these elements are organized for rewarding the individuals income based on specific results. We are talking about clear, unambiguous results that typically come from executing specific actions for which the pay plan encourages.

Are we looking to lock in the sales person's focus to higher PVR grosses, or to improve market penetration or maybe simply to improve the sales person's support for the F&I process? All of which will be influenced by their pay plan.

Of course all the elements of a pay plan must balance and complement each other.

I always see superior results from plans that support the complete universe of processes and protocols for which an employee is responsible. One example is a CSI element. I always see better results when a CSI component is included in pay plans for employees who are directly responsible for producing gross profit. A CSI element provides a balance between striving for profits and keeping your hard earned customers happy enough to come back to your dealership for service and future sales.

It is understood that the payout will in total for the category of expense fall within the appropriate expense as percent of gross standard while paying higher than average for superior performing individuals and less than average to the low performers.

Another imperative of pay plan design is that it must be totally in sync with and reinforce the employee's job description. In my opinion job descriptions are an extremely

important management tool that I often see underutilized or even over looked completely. The job description and pay plan work together to direct the employees' efforts. Simply stated, the job description communicates to the employee their place in your organization while the elements of their pay plan clearly articulates their part in helping the company reach it's financial goals.

Whatever the concert of elements that are included in the final pay plan design it is always best to require that the results that are the basis for the employees pay be validated by the accounting department. In my opinion this is where the accounting department provides indispensable direct support to the operations side. The accounting department must serve as the ultimate argument buster and have the final say as to what are the real results of transactions. A key to any pay plan's success is that the individual recipient of the pay plans must feel confident that the pay out calculation process is unbiased and accurate. If you agree then you will probably also agree that the accounting staff who are responsible for calculating the pay must have a clear and undisputed understanding of how to produce the required data and how the elements of the plan generate payout to the employee.

So, this brings us to the third step in the process. It would be irresponsible not to make sure the people that we count on to generating the pay are trained on how to produce the data and audit the results for accuracy as well as correctly putting together the elements for calculating the pay out amount. In my experience it is best to present this to the accounting department as a complete, detailed package. Details are important here, if you leave something out it will probably come back to haunt you later.

A key part of this package is the computer reports that provide the information for the different elements and how to make sure the information is correct. The fewer reports the better. Just make sure the package includes everything they need.

This brings us to this month's featured DMS tool.

I know many operations that use information presented by the sales application reports as the basis for their commission calculations. Keep in mind that with proper setups and utilization of available automation the reports coming from the sales applications should be accurate, at the time of transaction. Because the computers setups and the staff's degree of computer expertise are so critical for accuracy I don't recommend these reports for such critical use as a source for payroll information. But, regardless, there is one circumstance where contemporaneous reports of sales information from the sales applications and reports from the accounting side often differ; it is called CHARGEBACKS.

I know, I hate that word too! But, chargeback's are a fact of life. Regardless of your policy on how the sales staff participates in chargeback's it would be a rare month when the dealership does not experience chargebacks'.

In my opinion the biggest benefit of superior utilization of automation is higher accuracy and productivity without higher staff cost. If you feel you have accuracy and/or productivity problems you may have computer utilization issues that require attention. The reports listed below are examples of the many computer tools that have already paid for and own but I often see underutilized. Getting them into use not only saves you time and money; eliminating unnecessary manual and redundant processes improves your staffs, on the job quality of life as well.

That is the magic that results from the marriage of good process and technology. It doesn't get much better than that!

For ADP System Users

For those dealers who perform the correcting entries in the same journal as the original entries (journal #10 for new-cars and #20 for used cars). Go into reports menu of accounting module. Select Print Journals from the Print Menu. Enter parameters, ie: journal#(10 or 20), accounting period (current/post-ahead/archive), item reference (if so desired). Report will preview on screen with original items and correcting entries, deal by deal. For those dealers who perform adjusting entries in separate journals than the original entries ADAM provides a custom report which allows combining journals. Report parameters as in step #3 above are the same with the exception that it allows you to specify more than one journal at a time but combine the output to create balances on a per account basis providing the original deal details as entered plus/minus adjustments. *Submitted by Orlando Rodriguez of ADAM System.*

For ADP Users

From the accounting SR menu select the SPY function to print a report of sales productivity for new and used vehicle sales. Note, the SPY report can be setup to run on the job stack. Use the ASR function to correct information on the SPY report. *Submitted by Jim Skeans of Jim Skeans Consulting Group LLC*

For PBS Systems Users

From the accounting logon; the report icon would be set up to appear on the left side of the screen. Simply click the appropriate report. Since the journal entries have already been created this report would immediately reflect the adjusted figures. Any necessary adjustments can be made through drill down functionality. Through accounting entry of charge backs in the Journal entry screens, expenses and commission rollbacks are automatically applied to the reporting tools. A simple verification would take place and automatically, the payroll reporting is detailed and accurate. *Submitted by Kevin Preston Director of Marketing*

For Reynolds + Reynolds Users

The Sales Performance Report (0432) provides car deal gross and sales commission for New and Used Vehicle Sales and Dealer Trades. port screen (0432). Use the Sales Performance Adjustments screen (0699) to make corrections to the 0432 report. Note, a

reference number with an -ADJ suffix identifies an adjustment. *Submitted by Jim Skeans of Jim Skeans Consulting Group LLC*

***Jim Skeans** is the president of Jim Skeans Consulting Group LLC and has been in the automobile business for more than 35 years. Jim is a former senior consultant for an international automotive consulting group and has served in all of the traditional dealership management and staff positions as well as director position with a large national dealership group.*