

## Introduction

Millions of Americans bought or serviced a vehicle during the past year, and for most the experience was not particularly pleasurable. The automobile dealership is an institution that has been with us for generations and plays an import role in our economy and our culture. The vehicles themselves are objects that we covet. They announce to the world who we are and who we aspire to be. Vans, sports cars, SUVs, hybrids, and trucks all speak volumes about the identities and lifestyles of their owners. The experience of owning a vehicle is not a problem, but buying or maintaining one certainly can be. Buying a car is a prospect dreaded by most customers, nicely summarized in the titles of books, magazine articles, and videotapes on the subject: “How to Buy a Car: Beating the Sales People at Their Game,” *I’m a Legal Hold Up Man*, *I’m a Car Salesman*, and *Kicking Tires Virtually*—“Your days of being double-teamed by sleazy salesmen in white alligator shoes are over: Here’s how to buy a car on the Internet.” Though Americans may love cars, the process of buying one can be unpleasant.

This book is about a type of workplace—automobile dealerships—and the work that is done there, the people who work in them, and, most important, how dealership employees learn and communicate with each other, with customers, and with colleagues in the head office. Though dealerships may be familiar to most of us, as workplaces they are far more complex than the average customer would ever suspect. Even car dealers' negative behavior begins to make sense when viewed in the context of their social and cultural, and economic and work environments. Gaining a fine-grained understanding of the workplace is important not only because it explains why employees do what they do, but because it suggests ways that the workplace can be improved. The more we understand the subtleties of a workplace, the better equipped we are to design a work environment that encourages and facilitates learning, communication, and knowledge transfer.

### *Background*

Over the past several decades, there have been enormous changes in the overall business environment. The number of manufacturing jobs has declined while the size and importance of the service sector has dramatically increased. Loyalty on the part of customers, employees, and employers has diminished. In addition, new computer and telecommunication technology has radically changed the shape of many industries. Not only has local competition intensified, but firms must now compete on a global scale. Because of all these changes, many managers view the future as increasingly unpredictable.

Firms and organizations—private and public alike—have become increasingly concerned with how they will adapt to this new and constantly changing business environment, and have begun to search for ways to reinvent themselves and gain a competitive advantage. Two strategies have become commonplace. One is to introduce or increase the use of information and communication technology in order to enhance productivity. The second is to emphasize learning, communication, and shared knowledge within the firm or organization, and to develop a work environment that is variously called a learning organization, occupational community, or community of practice.

The idea of community, which has long been associated with physical location and social groups (for example, small towns and neighborhoods), has migrated to the workplace and marketplace. The concept of communities of practice—a group that constantly shares knowledge and information—is based on the assumption that learning, whether it be formal or informal, is essential to the health and well-being of the organization. It also often assumes that information technology will act as the means to both store and share that knowledge and to support communication and collaboration within that specific work-based community.

Information technology (IT) is seen as key to reorganizing the workplace and coping with the changing business environment. The early emphasis of IT in the 1950s and 1960s was on introducing hardware and software to manage and manipulate data. More recently, however, communication technology has opened up new possibilities in the workplace by offering colleagues, who may or may not be located nearby, new ways to communicate synchronously and asynchronously.

Employee training is also seen as key to remaining competitive by ensuring that staff keep up with changes in their field of expertise. Learning in the workplace traditionally has focused on formal training and classroom-based learning, with U.S. companies spending billions of dollars annually on employee training. But recent research (EDC 1998) has found that up to 70 percent of the learning in the workplace actually takes place informally outside the classroom.

IT and training have long been considered tools for gaining competitive advantage, but traditionally they have been quite separate fields. Over the past few years, however, they have become deeply interconnected as communication technology has become pervasive in both the workplace and the home. Technology that was once used to simply manage data is now also used for sharing that data, for communicating and sharing knowledge among employees, and for distance education. As the line between IT and communication has blurred, so have the physical boundaries of the workplace; customers, workers, managers, and the head office may no longer be physically co-located, and the dissolution of these boundaries has created as many challenges as opportunities for firms and organizations.

The desire to use IT to enhance communication, learning, and sharing of knowledge is widely shared by many organizations, firms, and groups. Though

the adoption and use of computer and communication technology offers the possibility of facilitating communication between employees, implementation has been challenging. Firms and organizations have struggled, faced with obstacles including competition between workgroups or employees, lack of incentives, inability of individuals or workgroups to articulate knowledge, and workers who are geographically remote or institutionally independent. It has not been easy.

Automobile manufacturers and their dealerships are good examples of the problems many firms and organizations face. A company's head office is centrally located, and its dealerships are widely distributed throughout the country and the world. Automobile companies have an additional unusual organizational feature—even though the manufacturer and the dealerships are highly interdependent, the dealership staff are not employees of the auto company; each dealership is independently owned and run. The head office can offer incentives and try to coax dealerships, but it ultimately has no direct management control. Not surprisingly, there can be tension in this relationship, because dealers often feel that the head office is overstepping its role and trying to micromanage their businesses. On the other hand, it is understandable why the manufacturers want and need the control—they depend on the dealerships to sell and service their products. Dealerships are the company's public face, and in a time when there is intense pressure to increase customer loyalty, manufacturers are very sensitive to how customers are treated.

The case of automobile dealerships is instructive for several reasons. First, their impact on the economy is significant: they generated \$699 billion in sales and employed over 1.1 million people, with a payroll of \$51 billion in 2005 (NADA 2006). In addition, the organizational model and relationship between dealers and the manufacturer is similar to a franchise relationship, in spite of common perception. In contrast to most franchises, which are understood to be owned and operated by individuals, the public generally views auto dealerships as simple extensions of the parent company and indistinguishable from the manufacturer. In truth, auto dealerships have much in common with franchise businesses, which can range from fast-food restaurants to hotel chains to personal services such as moving companies and dog grooming. They all have a similar structure and all struggle with similar issues, including enforcing control and standards, providing training, sup-

porting management, and learning from and communicating with their franchisees (Bradach 1998).

The automobile industry has changed a great deal since the early 1990s. The design and manufacturing cycle has shortened and vehicles are much more complex, which means that service departments have had to cope with constant change and technological innovation. The quality of the vehicles has improved, and the differences between the makes are becoming smaller. However, competition among manufacturers and among dealerships is even more fierce. Profits for new car sales, the traditional source of revenue for the dealerships, are down, and attention has shifted from new vehicles sales to the service department. Customers are changing as well. They are less loyal to any particular brand; gone are the days when customers proudly referred to themselves as a “Chrysler man” or a “Ford family.” Customers have become more knowledgeable and discriminating, and expect to be treated with respect. Customers are also much more willing to gain information about vehicles and the sales process from the Internet, with some even purchasing their new cars and trucks online, all of which has undermined the traditional role and power of the local dealer.

### *The Problem*

The project of exploring automobile dealerships began when a major automobile manufacturer (referred to in this book as the GFC Motor Company) was looking for a solution to a problem. Like many other firms, GFC was concerned about the rapidly changing business environment and felt that increasing the flow of information between the dealerships and the head office would give it a competitive advantage. After all, the dealerships were on the “front lines” with the customers. Dealers knew a lot, and if that knowledge about vehicles and customers could make its way back to the Detroit head office more quickly and effectively, GFC would be better able to respond to problems, and ultimately to make better vehicles that customers would want to buy.

During the 1990s, the GFC Motor Company had made a great effort to deal with the changing business environment by introducing information technology and increasing training for dealership staff. It had already invested

millions in a large private satellite system that linked several thousand GFC dealerships in the United States and Canada to the head office in Detroit, Michigan. The system was used primarily for distance education, broadcasting training programs to the dealerships throughout each workday, six days a week. Believing that keeping ahead of their competition required learning new ways of performing ordinary tasks and taking advantage of the knowledge that already existed within the firm and the dealerships, managers in Detroit proposed that the satellite system be expanded and used for two-way communication. Their aim was to use information and communication technology to encourage dealership employees to increase learning and sharing of information between Detroit and the dealerships, thus shaping their company into more of a learning organization. They also suggested that the new technology could improve communications with customers.

It sounded like a perfectly reasonable goal. The Detroit managers, however, perceived that there was a problem with the dealers and employees in the dealerships. Though there was no outright objection to or rejection of the idea, the dealership employees seemed to be, at best, lukewarm in their enthusiasm for information technology, learning, and sharing information with Detroit. GFC perceived the dealers' reaction as stonewalling and became increasingly frustrated with the dealerships and what it considered to be their uncooperative attitude. The head office very much wanted to know, "What's the matter with these guys?"

Wishing to increase the flow of information between the head office and the dealerships made a great deal of intuitive sense—it was hard to imagine any dealer, or manager of any firm for that matter, claiming that less communication and less learning could be advantageous to anyone. There already was a significant amount of information technology in place. If the employees and dealers were not apprehensive about becoming first-time computer users, what indeed was causing the problem?

Unfortunately the problem was not straightforward. It was not a simple case of dealership employees refusing to use information technology, because every dealership had and used computers. It was not that they refused to learn, because all employees already undertook some training each year. And it was not that dealership employees did not communicate with Detroit, because there was regular contact between the head office and the dealerships. The issue was one of underuse rather than non-use or non-adoption,

and it was the lack of enthusiasm for increasing learning and communication using information technology that frustrated the managers in the GFC head office. Because they were in largely uncharted waters, it was unlikely that the answer was going to come from a preexisting set of traditional alternatives. In a case such as this, what they needed was to take a design-thinking approach.

### *Design*

Though design is most often associated with buildings and artifacts, it can just as well relate to the creation of markets, institutions, policies, processes, programs, and services. Design thinking is not often discussed in management, but when it is, it tends to focus specifically on product development. Innovation, however, is an ongoing concern because continual innovation is assumed to be vital to a firm or industry. Innovation is the result of design thinking, but it too is more often used in the context of product development and less often in terms of technology, work organization, labor relations, or governance.

The definition of design is imprecise, but it is best defined as a way of thinking rather than a focus on its many possible products. Bryan Lawson (1997: 10) defines design as a “sophisticated mental process capable of manipulating many kinds of information, blending them all into a coherent set of ideas, and finally generating some realization of the ideas. It can take the form of a drawing, or a new timetable.” Design is a skill that is learned, and is not, as is often assumed, synonymous with a stroke of genius. It is a prescriptive activity that deals not with questions of what is, and how, or why, but rather with *what might be*.

The idea of integrating design into management and management education is beginning to gain prominence. For example, Richard Boland and Fred Collopy argue in their book *Managing as Designing* (2004) that management education portrays the manager as choosing from an array of courses of action and assumes that coming up with alternatives is easy, but choosing is difficult. Rational decisions are made using a variety of tools such as economic analysis and risk analysis. In contrast, design assumes that coming up with good alternatives is difficult, but once a very good one is developed, the decision to go ahead with it is straightforward. The problem with

the traditional rational decision approach is that it takes for granted that a set of good options is already available. Though this may be true in very stable and predictable environments, in a turbulent and unpredictable world, this assumption seems at best wishful thinking and at worse rather foolhardy. Design thinking is concerned with finding the best possible answer to complex problems given the goals and resources of the firm. It is about invention that includes questioning basic assumptions and reframing questions. It is not merely an artistic activity, but a humanistic and intellectual activity that focuses on the creation of practical and effective solutions that serve human beings (Buchanan 2004: 54). Design is a means of inquiry.

Regrettably, the design process is not a straightforward step-by-step procedure that can be followed irrespective of the situation. Instead, it is a rather mysterious affair with no simple formula or algorithm that can be applied to any given problem to derive the correct answer or solution. Many have tried modeling the process, but there has been little consensus, mainly because it can vary so much with the individual and situation.<sup>1</sup> But in spite of the range of models, there are some basic similarities: it is an iterative process that involves a “negotiation between problem and solution through the three activities of analysis, synthesis, and evaluation” (Lawson 1997: 47). One of the simplest models has the design process start with collecting information and understanding the context of the situation (Figure 1.1). Next is analysis, which explores relationships and patterns of the information gathered and identifies the problem or problems that need to be solved. But rather than leaving our understanding at analysis, the design process continues to move forward and respond to the situation by generating a set of proposals or solutions. And because it is an iterative process, the proposals are

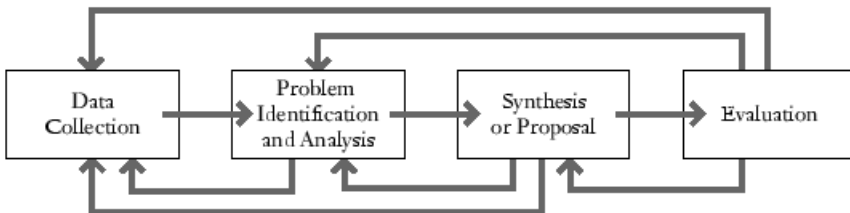


Figure 1.1. The design process

SOURCE: Data from Lawson 1997.



evaluated and reevaluated, often returning to earlier stages to gather more information, or to redefine the problem, until a solution appears that best answers or responds to the problem.

Framing the problem is key to the design process because how the problem is described will have direct consequences on the solution that is produced. A classic illustration of how problem-framing leads to a policy solution is Lloyd Etheredge's *The Case of the Unreturned Cafeteria Trays* (1976). The book examines the problem in a high school cafeteria of a minority of students not returning their cafeteria trays at the end of the lunch hour as instructed, leaving the cafeteria in a mess that had to be cleaned by the staff. Etheredge's book considers thirty ways of framing the problem, including ignorance of expectations, ignorance of consequences, too permissive an upbringing, inadequate identification with the school, and the Peter Pan syndrome. Each perspective suggests quite different solutions. For example, if it were a case of not knowing what was expected, the simple solution would be to inform the students about the expectation and need for them to return the trays. If it were a case of the students not understanding the consequences, then a tour of the messy cafeteria and an explanation by the cafeteria manager of the situation would likely suffice. Of course, if the problem stemmed from other more complex psychological issues, then the solution would be very different.

Not all problems are equal, however. Peter Rowe (1987: 39–41) describes three different types: well-defined, ill-defined, and wicked problems. Well-defined problems are those for which the ends or goals are prescribed and apparent and can be solved in a fairly straightforward manner. A structural engineer calculating the dimensions of a column or beam, for example, can apply specific formulae to estimate the appropriate size of the building member. Unfortunately most problems, whether they are social, architectural, or managerial, are more likely to be in the ill-defined or wicked categories. Ill-defined problems are those for which the ends and means of the solution are not known. Although the general direction may be clear, much effort and time is spent clarifying what is required. Wicked problems are problems without a definitive formulation. Questions are always being added, which leads to continual reformulation of the problem. Any time a solution is proposed, it can be developed further still.

The problem faced by the Detroit office is not unusual, especially in franchise-type organizations. GFC managers in Detroit assumed that they knew what the problem was—the dealership employees were being uncooperative—but were unsure what action they could take. The usual options of threatening termination or offering a financial bonus were difficult to do given that the dealership staff were not their employees. Their situation was typical—they thought they knew what the problem was, they saw the dealership staff as fairly homogeneous, and they had a handful of standard managerial remedial actions they would normally take if they could. In fact, what they actually had was an ill-defined and perhaps even “wicked” problem, which meant that the standard managerial responses to problematic employees would likely prove completely unsuccessful.

The purpose of applying design thinking to ill-defined or wicked problems is to define as clearly as possible what the problem is and to find reasonable solutions. The managers at the head office in Detroit assumed that there was something wrong with the dealership employees, as this would explain their lack of enthusiasm and cooperation. A design approach would question this assumption and begin to look for other explanations, which would point to more realistic and effective solutions. The goal was not just to understand why the dealership employees were behaving the way they were, but to also explore ways of creating an environment that would support learning and communication in the workplace.

I was intrigued with the problem that GFC was facing because what they hoped to accomplish, at least on the surface, made a great deal of sense. My past work had been in how local communities use IT to communicate, so I was also very interested in how information and communication technology could aid workplace organization.

The first step of trying to make sense of the situation began with data collection and gaining a deep understanding of the situation. This involved, in addition to shorter visits at several dealerships, spending many weeks over a period of months in a dealership that I will call Northeastern Motors. It was selected because it was considered to be a typical dealership by both GFC and the dealer. It was medium-sized, fairly busy, and average in almost every way. Both GFC and the dealer felt that the issues faced by Northeastern Motors were shared by almost every other dealership in the country. Perhaps the only slightly unusual aspect to Northeastern Motors was the em-

employees' willingness to accept a stranger into their workplace and to talk candidly, though not publicly, about their work. This stage involved talking at great length with dealership staff about their jobs, observing them dealing with customers and going about their daily work, and participating in their training sessions.

It did not take long to see that GFC's framing of the problem was inadequate. The dealership employees were not Luddites, nor had they any great antipathy to learning or communication. Instead, their resistance, even aversion, to the urgings from Detroit to use information technology to learn and share more began to make perfect sense given their work history, culture, and environment. There were major problems and obstacles in the workplace, but there was certainly nothing wrong with the employees.

Understanding the reasons for the employees' reluctance to increase their use of IT for communication and sharing of information is important not only for the sake of GFC, but because the need to encourage learning, interdisciplinary collaborative work, and sharing of professional knowledge is a much wider issue. These are general problems faced by almost all organizations—private and public—and especially those with geographically distributed employees. The experience and lessons learned from GFC will be relevant to many. However, the point of this book is not that the solutions proposed for GFC should be blindly copied by other organizations. They should not be held up as “the answer,” though they may be relevant for some firms. The purpose is to illustrate the process that organizations can undertake in order to create work environments that will encourage learning, communication, and sharing of information. That process involves close study and observation of the workplace, its history, and the employees who work in it, and then out of this rich understanding should come creative and appropriate solutions. Again, the point is not to copy GFC's solutions, but to encourage organizations to learn from and look closely at their own work communities and to find creative solutions based on their own unique experience.

As the following chapters will show, the managers in Detroit did not have a good understanding of the problem, and the handful of standard carrot-and-stick actions they could have taken would have been completely ineffective even if dealership staff were direct employees of the manufacturer. If they had approached the problem from a design perspective, not only would they have had a much clearer and accurate understanding of why dealership staff

were so unenthusiastic about using technology for learning and communication, they would have been better equipped to take a number of steps that would have given them a higher probability of creating what they wanted—a learning organization.

### *Identifying Obstacles*

To enable organizations and their employees to share information and learn from each other, communication is essential, but it is often assumed that a lack of flow of information between two parties is a problem of transmission, that is, having an inadequate “pipe” through which the information can flow. Indeed, in this particular case, that is an important issue, but it is not the only one. As George Huber (1996) points out, in order for information to flow, one needs to know who needs that information, and the information must be easy to transmit. But it is even more complicated because the sender must recognize that he or she has knowledge to transmit, and the receiver must be able to listen to and act upon that knowledge. The transmitted information or knowledge itself is also not neutral—whether it is threatening or affirming can prevent or encourage its flow. And not only are senders and receivers individuals with their own belief systems, but they work in environments with specific cultures and environments that may support or discourage the flow of the information.

Teasing apart the possible obstacles or barriers to learning and communication helps create a framework to more clearly investigate and understand the work environment. For any firm or organization looking to increase learning and communication, there are potentially six principal and interconnected obstacles that can block the flow of information or the sharing of knowledge between workgroups and colleagues: the physical environment, the medium, the content, the individual, the cultural and social environment, and the economic and work environment, all of which operate within a set of work practices, which operate within a specific industry or sector, each with its own unique history (Figure 1.2).

*Physical environment.* The physical environment in which the individual or groups work can have a significant influence on the learning and communication that takes place. For example, colleagues who work in separate parts

of the building and who rarely have an opportunity to meet each other will have much less chance to communicate informally, and if their workspaces are noisy they may communicate even less.

*Medium.* The “pipe” through which information moves can block or impede the transmission if that pipe or medium is restricted, difficult to use, inaccessible, or simply does not exist. Though we usually think of the medium as the network through which the signal flows, it is not necessarily limited to the wires, cables, software, and hardware of computers or telecommunication systems. For example, the traditional office water cooler or the sales manager’s desk has long provided the opportunity or medium for colleagues to meet and share information informally. Media can be electronic, physical, or administrative.

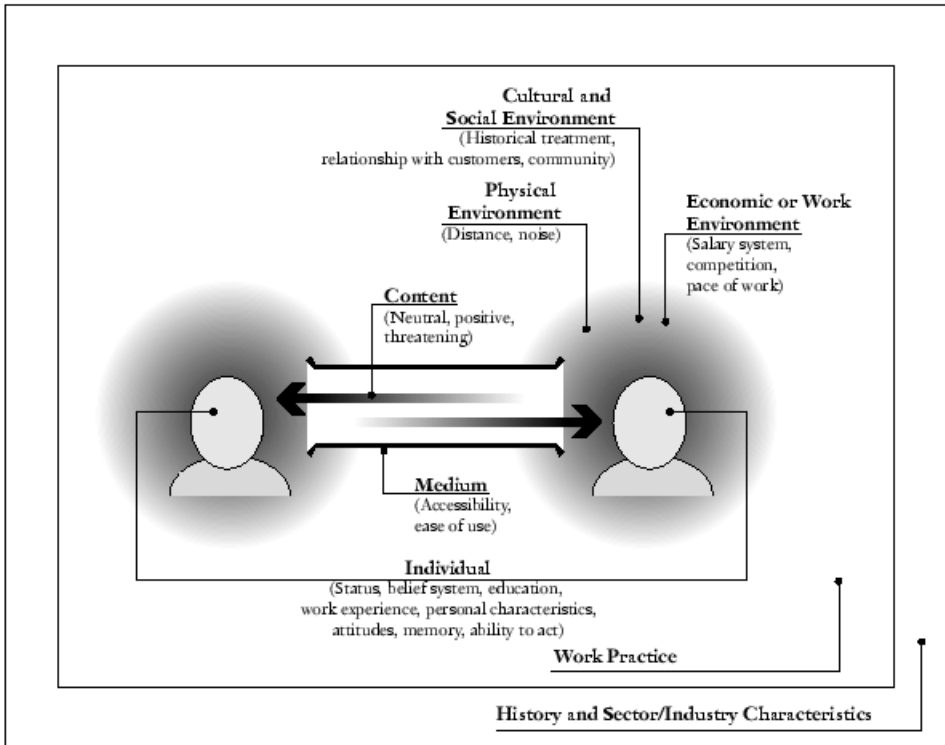


Figure 1.2. Potential obstacles that can prevent the flow of information

*Content.* The quality or type of information itself can impede flow. If information is perceived as negative or threatening, it can easily cause the listener to reject it. On the other hand, if the information is clearly useful and beneficial, the receiver will likely accept and make use of it.

*Individual.* Even in an environment that supports the sharing of knowledge, the receiver or sender of the information may hold a set of beliefs or memories that prevents him or her from either sending or receiving information. For example, individuals are unlikely to share knowledge if they believe that their information is not valuable (“Everyone already knows that”) or if they have had a negative experience in the past (“No one was interested when I sent information last time, why should I bother now?”). The person receiving the information must also be able to “hear” the information and may reject it if he or she does not value the source (“What could a high-school-dropout mechanic ever tell me, a highly educated engineer?”).

*Cultural and social environment.* The social or cultural relationship, history, and environment can also prevent the flow of information if some of the negative assumptions that individuals hold are shared more generally by the group. For example, in a hostile “us versus them” situation, there is unlikely to be an easy flow of two-way information. Or, if the group believes that sharing information will harm them in some way, there will be none.

*Economic and work environment.* The daily work routine and the economic environment are clearly some of the most significant factors that conspire against communicating and learning within an organization. Time pressure, competition, the salary system, and the single-minded focus on generating a profit each month all can hinder or severely limit communication and sharing of knowledge.

*Work practices.* The daily work is knitted together into a set of work practices. Individual work overlaps with colleagues’ work and flows from department to department, as the staff person interacts with both customers and the manufacturer.

*Industry or sector.* Each learning experience or communication occurring in a firm or organization happens within the larger context of a certain sector or industry, which may influence how individuals and firms operate. And the sharing of information between firms will certainly be influenced by industry norms, assumptions, and levels of competition. In addition, each industry or sector has a historical dimension that may have an effect on learning and

communication. Though establishing the effect of the past on current events may be difficult, it is generally assumed that the past can shape and inform contemporary events (Whipp and Clark 1986: 19), as well as industry standards, norms, and culture.

Because the auto manufacturer, the dealers, and the dealership employees face all six obstacles to some degree, we should not be surprised to learn that dealers and their employees may have been reluctant or even incapable of becoming the learning organization or community of practice that the head office desired. Clarifying the reasons for the dealership's lukewarm enthusiasm by identifying specific obstacles not only helps us understand and empathize with their predicament, but also points to concrete steps that could be taken to remove or reduce the barriers that hinder communication.

The following chapters use classic steps in the design process of *analysis, synthesis, and evaluation* to unravel the issues faced by GFC and the dealerships and to show the complexity of the workplace culture and environment. The analysis begins with an overview of the history and current state of the industry. It then describes typical work interactions in the sales and service departments with a pair of vignettes followed by descriptions of the work of service advisors, parts employees, technicians, and salespeople. Then, using the framework of potential challenges (and opportunities), the analysis considers the six categories: physical environment, medium, content, individual, cultural and social environment, and the economic and work environment. Finally, the synthesis and evaluation chapter proposes a number of possible solutions that GFC could adopt to increase learning and communication, ranging from the simple and easy to implement, to the much more difficult and challenging.