

Carlutz organizational case study



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Introduction to Carlutz Case Study

We had the unique opportunity to conduct an organizational assessment with Carlutz, a used car dealership that utilizes an “innovative approach [that] helps sellers get what their car is worth. . . and our buyers pay below traditional dealership prices” (carlotz. com). Carlutz is not the traditionally structured car dealership; they specialize in the consignment sale of used cars. Our assessment of the organization’s structure and culture was made possible by the Assistant General Manager, Carlos Estrada, our main contact while working with Carlutz. While working with Carlos and other employees at Carlutz, we conducted interviews to develop an understanding of the organization’s aspects of business and identify areas that can be improved. This report will provide details of Carlutz, a summary of the capacity issues, motivational issues, and organizational performance issues. The capacity issues includes the leadership, structure, human resources program services, facilities, and technological aspect. The motivational issues that we learned about Carlutz includes the incentives and rewards, communication, mission and vision, problem solving, decision making, and cultural aspects. The organizational performance issues we analyzed were the effectiveness, efficiency, ongoing relevance, and financial viability aspects. The aspects of each issue are vital to identifying weaknesses that Carlutz experiences so we can provide feedback and recommendations that will improve their aspects and business.

The assessment of Carlutz is essential to analyze their business processes and structure so that we can identify areas of possible improvement. The assessment is important because it provides a detailed and in-depth content

regarding the processes of running the business, structure for employees, and current culture within the company. After talking to Carlos, he was accepting to work with us because he has the capability to implement changes and agreed with the value that our assessment can provide. We conducted interviews of various employees to obtain information about Carlutz and to identify the factors that impact their performance and culture. The information that we obtain from the assessment is valuable to us because we can analyze Carlutz' current practices and provide recommendations to improve future processes. The recommendations and conclusion we offer to Carlos provides value to Carlutz and creates an opportunity for Carlutz to grow as a company. During our conversations with management, we expressed that we will provide a summary of the information we collect and that our recommendations will be provided to the two aspects that have the largest opportunity for a positive impact on the company, culture, and management when implemented. After our assessment, we identified their two weakest aspects with the greatest opportunity for growth were the hiring process and the process of getting help from upper level management with business operations.

Details of the Organization

Carlutz is a national car dealership with eight locations that offer consignment sales of used vehicles. This strategic approach to the used car industry provides Carlutz' customers the greatest value for their car without having to go through the process to sell their vehicle themselves.

Additionally, the customers who intend to buy a vehicle experience prices that are below traditional dealership prices. Carlutz is an efficient dealership

with effective communication and a culture that values all employees equally as a team. The vision the Carlos has for carlotz is to provide the best car retail buying experience to its customers. The company's mission to achieve its vision is to provide excellent customer service and a non-traditional car buying experience. Carlot has eight locations nationally with three located in Virginia, two in North Carolina, and one in Tampa, Illinois, and Texas. The company's management structure is hierarchical. Carlos, the assistant GM and Blake, the GM, are the key decision makers at the Tampa location. The characteristics that the decision makers must possess at Carlotz includes leadership and people skills. During the hiring process, managers try to identify these traits in the interviewees to maintain a culture with strong performing and value aligned employees.

Description of the Interviewees

While working with Carlotz, we spoke with five key employees in their operations. The positions range from the Finance Manager to the Human Resource Manager. The employees we interviewed had synergy with the questions and aspects we had for the assessment. Here are the employees we spoke with:

- Blake Roberts – Blake is the General Manager at Carlotz, Tampa location. His responsibilities are most widely applied. He can be found doing financial paperwork, talking with customers to de-escalate a situation, to the hiring or firing of employees.
- Carlos Estrada – Carlos is the Assistant General Manager. Carlos' main responsibility is to assist Blake in the daily operations of Carlotz. His

personal responsibilities include maintaining a team oriented culture and to help the employees and customers achieve their goals.

- Cesar Garcia – Cesar is the Finance Manager at Tampa Carlutz. His main responsibilities are to coordinate the financing for the customers. He decides if customers are capable of financing a vehicle with credit. Cesar communicated between the customer and the bank or finance company about the customer’s financial health and capability to purchase a vehicle.
- Debby Pearson – Debby is responsible for the Recondition department. Her department is tasked to recondition all vehicles that the dealership purchases. The reconditioning process is important because used cars need to be as clean as possible so that the customer is satisfied with their purchase. The reconditioning department directly affects the customer’s satisfaction and willingness to purchase a vehicle.
- Francheska Rivera – Francheska is the Title and Compliance and Human Resources Manager. Francheska has the most contact with upper management. As the head of HR, she oversees the hiring and on-boarding process of new employees at Carlutz. The Title and Compliance department is responsible for keeping the dealership within legal operating mandates and to maintain current records in the case of a regulatory audit or investigation.

Organizational Capacity Issues

Aspect: Leadership

Leaders are set in place to motivate and direct individuals in an organization towards a goal. Leaders come up with strategies that help meet the

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company's needs. CarLotz vision for both the organization and employees is to provide a different and hassle-free environment in comparison to a typical dealership. They strive to provide customers with the best selling or buying experience. The consignment selling options creates opportunities for a seller without the stress of needing to deal with potential buyers directly. The greatest part is that CarLotz takes on full responsibility for just a small upfront fee of \$199 no matter the value of the seller's car. When the car is sold, CarLotz will collect an additional fee of \$799. A flat fee allows employees to work freely without the pressure of needing to meet a quota for commissioned based position. One of the major complaints of employees is the amount of work and hours that they do weekly at CarLotz. Although days can be long at times, management at CarLotz do their best to keep the environment as stress free and friendly as they can. Most employees enjoying working there. All staff undergo training when they are hired, and everyone is hired with a purpose to fulfill a specialized area. Individuals need to fill the personality criteria at CarLotz to be considered a potential candidate.

Everyone at CarLotz is brought on to fulfill a different role but the company prides themselves for their team working ability. Leadership view employees as equally and they work together to provide the best customer service possible. Many individuals take on leadership roles differently, however, at CarLotz they see themselves as a team rather than individual leaders.

Aspect: Structure

Organizational structure determines how roles and responsibilities are assigned. It is developed so that the employees of the organization have a clear understanding of how the company will operate which will allow the business to grow and reach goals. At CarLotz, each department has management to help guide employees when they have questions. CarLotz believes that working as a team is crucial to the growth of the business so if an employee has a suggestion for management, than they are always open to listen. Also, consumers and sellers have the final say on a sale. If an individual comes in to sell a car, and they want an amount for a vehicle the car cannot be sold for less if the seller does not give consent.

Accountability at CarLotz could be more set-in stone, people are not always held responsible for their actions. With the amount of management at this company this area should be stronger. Everyone who works for CarLotz just has general goals that they work towards.

The General Manager (GM) of the Tampa store has the authority to set agendas that support improved performance. The GM oversees everyone's performance and numbers. This allows him the ability to strategize and change goals so that the company can continue to grow and progress.

Aspect: Human Resources

Human resources (HR) is a department within an organization that is responsible for all things that are worker-related including recruiting, selecting, hiring, onboarding, promoting, paying, and firing employees. On an average it can take employees anywhere from 4 to 6 weeks to start at CarLotz. Each employee goes through a series of interviews and background

checks. HR is also in charge of the training process. CarLotz has a 5-day training program that consist of field training and classroom work. When the training is done employees are closely monitored by management.

Management is always there to assist and answer any questions that an employee may have. Although CarLotz is a great company to work for, the interviewee mentioned that the organization does not offer or encourage staff to continue learning and developing. Everyone at this company is on a fixed salary and there are no other incentives to motivate employees.

Aspect: Program (planning, implementation, monitoring)

Program planning, implementation and monitoring is the most crucial aspect of a company. It determines the success of the organization and shows how well a proposed program was put into practice by the company's success.

The organizational strategy at CarLotz is to hire quality employees. The higher the qualifications and experience in an employee the better the business will do. In order to keep employees goal focused and up to date on new strategies there are daily meetings and trainings. However, there is no monitoring or evaluation practices put in place to evaluate the contribution of employee strategy.

Aspect: Facilities

A facility is a permanent commercial property built to establish an organization. CarLotz has a 10, 000 square store located in Tampa. The property has the ability of housing 300 cars. There is a total of 15 to 20 full time team members that work in sales, administration, and reconditioning. CarLotz is the country's largest retail remarketer for commercial sellers,

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using its consignment model to enable leasing companies, fleet management companies, banks, and even other dealerships to directly access retail buyers for vehicles they would otherwise sell through wholesale auctions.

With this magnitude CarLotz provides their employees with all the help and support they need on a daily basis, but they provide employees no incentives. The Tampa location is new, it opened up for business January of 2018. It was placed in a great location with constant traffic. During this time there are no constraints regarding infrastructure, but as the company continues to grow, they may need space for more vehicles. CarLotz has all the proper utilities to complete daily tasks including high speed internet.

Aspect: Technology

CarLotz uses technology to for customer care, track cars and customer information, human resource management, business communication, and to improve their services. Many of the employees complain and wish that the company hired an IT person to teach salesmen and women to use the computer system. They believe that having someone available to teach them would ensure the company faster and more accurate work.

CarLotz technology is not up to date considering competitor's current systems and employees believes they are falling behind. However, there is management in place to manage the use of the company's technology and to aid.

Organizational Motivation Issues

Aspect: Incentives and Rewards

To manage employees effectively you must supervise and guide them to success. Rewarding them and offering them incentives is a part of that process. A reward is an award you give your employees to do an exceptional job. These can be monetary (gift certificates or cash) or non-monetary (plaques, parties or even just a pat on the back to say, “ good work”). An incentive is a way to motivate employees to do a better job in the future. Common incentives include offering sales commissions or stock options.

For this section, we interview Carlos Estrada, who is the assistant general manager. We asked Carlos this question because he has the necessary knowledge to provide us with answers on how to reward and incentivize his employees. When asked about how it compensates its employees, I have explained that the staff is salary, this means that they do not receive compensation in any way, whether monetary or non-monetary. He points out that there are absolutely no bonuses for performance, this is because they employ people who like helping others find the perfect car.

Aspect: Communication

Communication in a company is a determining factor in the success of it; Good communication is synonymous with efficiency, organization, and coordination, while poor communication can be a reason for inefficiency, disorder, and internal conflicts. It must be timely; the message must reach the recipient at the indicated time. And it must be accurate, it must not use linguistic adornments or unnecessary information.

The communication in Carlotz seems to be very efficient, according to Francheska Rivera, Human Resources Manager. We asked Francheska these questions since she deals with communication issues every day. It is believed that there is an adequate information that is flowed through when communicating from a boss downwards and a sales representative upwards. In the company, there is constant communication about activities, as well as information related to the organizational mission and progress in fulfilling the mission. The method they use to provide such information is mass emails and newsletters.

Aspect: Mission and Vision

The mission of a company depends on the activity that the organization performs, as well as the environment in which it is located and the resources available to it. The vision of a company, on the other hand, refers to an image that the organization poses in the long term about how it expects its future to be, an ideal expectation of what it expects to happen.

For these questions, we went to Carlos, since he was able to provide us with this information without having to bother anyone else. The vision and mission of Carlotz according to Carlos is to provide the best car retail buying experience. Through employee training and development organization's mission support to successful vision. Stakeholders in Carlotz, specifically employees, are friendly and help customers, in that way they contribute to giving the meaning to the mission and vision they established.

Aspect: Problem Solving

The concept of problem-solving is related to the procedure that allows solving a complication. The analysis and resolution of problems are one of the main workhorses of the companies, especially of the members of the executive board. The efficiency and speed in this type of situation are especially valued and provides a competitive advantage over other companies.

Carlos also talks about how they deal with problem-solving in the company. When disagreement and stakes are high, most large decisions were made by the GM of the branch, Blake Roberts. Blake is also the one who makes a ruling when they need a clearly directed solution. Another thing that Carlos told us is that they are fairly impartial in identifying a problem, and that is something very important when it comes to finding the best solution to a problem.

Aspect: Decision Making

Decision making is a systematic and rational process through which an alternative is selected from among several, with the optimized one selected (the best for our purpose). Making the right decision in a business or company is a fundamental part of the manager since their decisions will influence the functioning of the organization, generating positive or negative repercussions according to their choice.

In Carlotz, GM Blake Roberts and assistant GM Carlos Estrada are those who have the authority to make decisions. According to Carlos, the skills necessary to make decisions in the organization are leadership and people skills, which their employees possess. When a wrong decision is made in

Carlutz, first they perform a verbal reprimand and then if it happens again a written writeup.

Aspect: Culture

Every company has its own culture that differentiates it from the others, it is the differentiating feature with respect to the competition. Although companies are from the same sector, they have different ways of thinking and acting as well as feeling, they do not have the same strategies or the same objectives since they do not have the same company culture.

Once again, Carlos helped us answer these questions about the Carlutz culture. He told us that the culture that is being promoted in the company is one where employees are always happy and helpful. The values of the company are aligned with their actions, a good example that Carlos could give us is the fact that in the face of any change the staff's attitude is quite positive, saying that everyone is good at going with the flow.

Organizational Performance Issues

Aspect: Effectiveness of the Organization

The ongoing issue that is present in an organization is whether or not it is able to meet its objectives. That changes depending on what the organization does and what it is trying to achieve. For an organization to be successful, individuals within need to perform well to produce the desired outcome with minimal resources. Within an organization, being able to achieve its goal while maximizing profits will allow for it to be effective over time.

To understand if Carlutz is achieving effectiveness in the organization, we talked to Blake Roberts since he best understands what the goals are each month. He knows how to run the dealership as a whole while encouraging others to perform their best as well as ways to improve their sales skills. Since he keeps track of sales, he can assess whether his salespeople are performing to the best of their ability to meet each month's goals. Carlutz is devoted to improving, not only do they receive feedback from customers, they also accept feedback from their own employees. This ensures that the work environment is not only acceptable for the customers that come in everyday and are expected to return but also for employees that work everyday to find ways internally that will help improve the company. Next, the mission of the company which is shown through objectives and activities is to sell cars non-aggressively unlike other car dealerships. Carlutz wants to build a relationship with the customer so that they will return, understanding the customers needs above all will allow for a better experience. Lastly, qualitative indicators are used to capture the mission such as the company's goal is to provide a low stress environment for people purchasing a car and Carlutz as a whole requires qualitative data since they are creating a feeling.

Aspect: Efficiency of the Organization

In order to obtain maximum efficiency, the organization needs to use the least possible inputs to produce the highest possible outputs. These numbers are gauged through quantitative figures such as, in Carlutz case, how many cars can they sell based on the current market. The automobile industry is ever changing, thus each month, new sales will begin and the number of automobiles needed to sell increases or decreases. Since Carlutz sells used

cars, their lot constantly changes and they usually do not have the same vehicle twice thus the customer needs to act fast to obtain that particular vehicle before it is gone, thus helping the efficiency of the organization.

We talked to Carlos Estrada about the efficiency since he assists Blake on the managerial side of the business and felt as though he could give us another perspective on the efficiency of the organization as a whole. To better improve customers experience, they are surveyed before they leave the dealership with a new car. From there, after their experience with the car for two months, they are sent an in-mail review providing additional feedback to Carlutz after they have had the chance to appreciate their new purchase. In order for Carlutz to stand out from the competition, they need to change just like their customers want, in order to do so they make the car buying experience, pleasurable. To compare the company over time, they have monthly performance reports which assess how the company as a whole is performing and how they can improve.

Aspect: Ongoing Relevance

As times change, so does the market, it can rise and fall impacting whether or not people will buy particular items, such as houses and cars. Something that we as customers do not notice as frequently is the extent in which an organization adapts to the changing conditions and environment. For a business to survive, they need to keep up, unfortunately when it changes drastically there is no way to control it. In the meantime, they need to continue to sell and perform at peak performance.

We talked to Blake about the company's reputation as compared to other organizations, and they do not currently monitor their reputation in comparison to others since they are trying to define themselves as a no hassle car dealership which most are not titled that way, thus they want to set a new bar for those who are going to be coming to the dealership. Since Carlotz is selling used vehicles, they do not conduct assessments of stakeholders. That is because they have different inventory constantly, if they were trying to meet each individual's needs that came in, they would be missing others. They balance their loyal customers and their new customers as to the vehicles that they have on their lot. Again, as the environment changes, the organization needs to change. In this case, Carlotz is not going to be changing soon because they are devoted to selling cars at the best possible price to loyal customers who do not want to go through the difficulty that a regular dealership haggles their customers for.

Aspect: Financial Viability

The success of a business has a lot to do with the amount of income that is generated through sales. In this case, Carlotz sells cars at higher prices than they buy them to receive income which will pay operating payments for the building and land that they own, any debt they have accrued because of being a business and being able to maintain the business as a whole. They have other services that they perform and without generating income they would not be as successful if they cannot perform above and beyond.

In this case, we talked to Blake since he deals with the negotiation side of Carlotz. If a customer thinks there is a better price for a vehicle, he can try to

negotiate it, thus he deals with a lot of numbers. For Carlotz to make money on each purchase, they have a \$500 success fee, such that salesmen do not haggle customers since they know how much they will be receiving on each purchase. Other funding that is received to build a successful organization is having their own repair shops for all to come in to which generates more revenue, as well as warranties on cars when they buy them at the beginning and detailing a car when the customer wants. These are a few ways that they go outside the box when it comes to bringing in more money. Lastly, they still need to compete with used car dealerships, and overall, they compete on a high level even though they are only a car consignment shop. They have all different cars and this allows for the customer to see multiple types of vehicles without going to many dealerships.

Conclusions and Recommendations

We firmly believe we couldn't have picked a better business to do our study on. The fact that carlotz was a sales based business lead to a plethora of issues to choose from. But not only was there plenty to keep us busy but the employees couldn't have been anymore helpful, even managing to muster up the strength to sit through one of our interviews for almost an hour! I would highly suggest referring this company to future classes. We really learned a lot from this project, mainly because of carlotz. All that being said, In the next two sections we will try to do our best to narrow the issues down into something manageable for the size of this project and discuss how we would go about implementing our project. .

Carlotz' Organizational Opportunities

During our time at carlotz three aspects that were brought to our attention by both management and base level employees. The first and most obvious to me was the difficulty of the hiring process for simple entry level positions. According to Carlos the hiring process can take up to two months for a simple salesman position. You are required to go through dozens of interviews and background checks. I can understand this level of scrutiny for a GM but not for a salesman. Often times they have trouble recruiting good salesmen simply because of the effort needed to finally get the job. One thing that was mentioned by the salesmen was the difficulty they are having getting help from upper level management, they say they are there for help and support but don't respond well when asked. Finally both groups agreed that upper level managers are not delegating tasks in an efficient way, lots of tasks get pushed to the side because the GM does not have time to do everything properly.

Recommended Changes

The three changes we recommend is #1 to make the hiring process easier, not only will this save the company money but it will give carlots a better chance to recruit quality salesmen. Problem #2 simply has to do with managers giving enough support to base level employees. It is in their best interest to teach and mentor the lower level employees. The more your lowest employee knows the better the corporation will be as a whole. Issue #3 can only be solved by creating a list of jobs for all employees. If too much is handed to any one person, let alone if they aren't good at delegating then there will be issues with getting everything done.

Implementing the Change Proposals

Implementing the project should be done in sections and overtime. It wouldn't do any good to try and change everything at once. It's always best to take one issue and create a plan to solve it, once that issue has been fixed you may move on to the next one. For this project I would suggest fixing the hiring process because that only requires changing procedures. The 2nd implementation would be changing the way upper level management responds to request for help from lower level employees. This would take time as it is a personal trait that would need to be altered. It's not going to change overnight via a mass email or newsletter. It's going to take weeks of patience on the salesman's part until they notice a change in management's behavior. The problems involving delegating correctly is much like issue #2 in that it cannot be changed with a procedural change. Other than expanding the responsibilities of the lower level salesman to include something that would normally be done by the GM. Everything else would take time, getting the GM to understand that he can trust the salesman or lower level managers with tasks could take several weeks.

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