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# INSIGHT

BY AXIOM ADVISORS &amp; VVH CPAS AND ASSOCIATES

## RESPECT - AT EXCEPTIONAL DEALERSHIPS, THE TONE STARTS AT THE TOP

By Phil Villegas



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I've written several articles on the driving factors that are critical to a successful dealership. Throughout my decades in this industry, one theme in particular has emerged: It's not the franchise or the location of the dealership that consistently drive success. Rather, success begins with the individual – specifically, its leadership.

Now, I'd like to dive a little deeper and explore an essential dynamic in successful leadership. It may be cliché to say success is all about leadership and people. And many a General Manager may read an article such as this and feel emboldened, believing they are a good leader, despite quite possibly being a hack. Let's be honest with ourselves, it's often easier to find fault in others while remaining blissfully aware of our own shortcomings. Like the guy who reads Men's Fitness every month, and yet remains 25 pounds overweight. I'm not immune to this either: I'll read articles on working with Millennials or Emotional Intelligence, yet I still find it difficult to let go of the management style I learned while in the Marines...OOH RAH!

I've had a very fortunate automotive career in which I have been exposed to the inner workings of hundreds of dealerships in all but a few states. I have seen retailers of various sizes and management cultures. I have met and interacted not only with the

owners of these dealerships, but also their key management. Throughout these travels, I've not found two group's management structures or balance of power to ever be identical. More often than not, the governing dynamics of ownership and its management team are as complex as some of the family relationships behind them.

But no matter how unconventional – or dysfunctional – a dealership's management team may be, I've consistently found that where there's mutual and genuine respect among top management, more often than not, that dealership will outperform its competitors in the market over the long-term. This mutual respect is especially important between the General Manager and Controller of the dealership.

This isn't to say that mutual respect between a General Manager and a Controller is a requirement for profitability. The reality is that there are thousands of profitable dealerships out there with strong-willed General Managers that treat their accounting departments with as much respect as a high school hall monitor. For a great number of General Managers, accounting is nothing more than an expense burden.

Likewise, there are dealerships and dealership groups that are so administratively focused, that the Accountants and Corporate personnel essentially run the stores with mandates to their

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# RESPECT - AT EXCEPTIONAL DEALERSHIPS, THE TONE STARTS AT THE TOP

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By Phil Villegas

General Managers to operate within a box of protocol. These mandates often come from individuals who have never sold a single vehicle to a customer.

It never fails to amaze me how so many dealerships can remain profitable in spite of themselves and their management.

This brings me to the core message of this article. A dealership can be good, maybe even great, with

a strong-arm General Manager or a governing accounting body, but that dealership will never be **exceptional** unless both the Sales and Administrative departments value each other and enjoy a genuine and mutual respect.

I've witnessed stores where the General Manager and Controller actually see each other as partners rather than antagonizing nemeses. While this may sound simplistic, I would venture to say that a store where the General Manager and Controller operate in a functional, proactive and respectful manner is in



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the extreme minority. Surprisingly, old dealership philosophies and mindsets are still very much alive and well today – where the Controller and Accounting department are viewed as nothing more than an expense, incapable of producing revenue or generating gross.

But this problem goes far beyond the General Manager and Sales departments devaluing or disrespecting their colleagues in accounting. We often see very much the same treatment of disrespect to many General Managers and Sales departments. This often comes in many larger or publicly owned groups where the leadership presence is diluted, or worse yet, convoluted. I've seen this especially with Groups where the Controllers report directly to a remote corporate leadership and have limited interaction with their store's General Managers on decision making. This type of trivialization or marginalization of sales-related departments often creates an environment rife with counterproductive, and ultimately, self-destructive competition and finger pointing.

In my career I've had the opportunity to visit many great stores, but the number of truly **exceptional** stores is far more limited. The common elements they share are:

- A respectful and collaborative atmosphere between either the Owner/General Manager and the Controller
- An environment in which both are strategic partners working together to propel the store to excellence

- A knowledge and belief that they need each other to be successful
- An environment where sensitivities and egos are checked at the door
- A shared understanding of facts and realities as the basis for navigating a dealership
- Never using one's individual knowledge against the comparative lack of the other's.

Because these departments are wired completely differently, there's always been, and likely will always be, discord between Sales and Accounting departments. There's never of shortage of divisive topics or matters, and that's not likely to change. It can be very easy to be dismissive of the other side, citing their lack of knowledge or understanding of an area of your own particular expertise, whether it's how to process an unwind or convert an UP to a sale, or where an incorrect VIN or payoff is the cause for demonizing an entire department.

In conclusion, as with most things, it comes back to "Tone at the Top." If an owner or the ownership group shows equal value and respect for both sides, this will permeate throughout the dealership. This culture of goodwill will then in turn be reinforced by the General Manager and Controller, and to all of their subordinates. However, if it doesn't start at the top, the store can never achieve its potential to be truly exceptional. ➤

# OVERCOMING THE FEAR OF CHANGING YOUR ACCOUNTING FIRM

By Mercedes Hendricks

**A**s a general rule, I tend not to trust people who say they like change. No one *likes* change. Change is hard. Change is uncomfortable. Change is scary. And I believe this is especially applicable when it comes to changing a professional relationship.

However, when people say they *embrace* change, I have the opposite reaction, I respect this. Embracing is very different. Embracing change doesn't necessarily mean you like it. It means you have the wisdom to realize – and accept – that change is inevitable, combined with the foresight to envision how you can steer the inevitable to your advantage.

By the time I graduated from high school in Taunton, Massachusetts I had lived in two countries, seven states and nine different homes. All of those moves were the result of my father passionately pursuing his career as a Lutheran minister. While I respected his calling, these moves were very difficult for me as a child, and I did not enjoy the change that accompanied each relocation. Changing schools, friends, teams and addresses... these all overwhelmed me and I felt out of control.

In the 22 years after graduating from high school, I moved 13 different times and lived in four different

states, including one move that took me clear across the country. Interestingly, these resulted from my own desire to move – not because someone made me, but because I *chose* to.

Between high school and college, I was struck with a realization: change was going to happen in my life no matter what. Rather than let it happen *to* me, I decided to take control and make decisions that would allow change to work *for* me. Each of my moves since high school were strategic in nature, though, admittedly, executed with a little bit of faith too! Looking back now, I see all of the great things that change brought, leading me to this very point in life that I sought to achieve all those years ago. This doesn't mean I liked uprooting myself and enduring the pain of inserting myself in a new environment. But once I got through it, I found myself in a much better place than I had been before.

People fear change. Whether it's a change in a business, new laws or regulations requiring you to do things differently, entering new markets, or changing professional relationships, I understand how difficult these all are. For those of you who may be reflecting on your current relationship with your accounting firm and wondering whether or not it's worth taking the plunge and switching to someone new, I feel for you! I can probably guess what

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# OVERCOMING THE FEAR OF CHANGING YOUR ACCOUNTING FIRM

By Mercedes Hendricks

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you are thinking. “I don’t have the time.” “I don’t want to recount every part of my business to someone completely new.” “I don’t want to hurt my accountant’s feelings.” These are all very reasonable rationales, but they are also counterproductive. Therefore, I’d like to share with you three pieces of advice, if you are in this situation. These helped me to overcome my fear of change.

## KNOW WHAT YOU WANT.

What are the things that are most important to you in an accountant? This is fundamentally a much more productive exercise than listing the things you don’t like about what you have. Focus on what you want and what matters most to you. What are your dealerships currently going through, and where are they headed? Who is looking at your financial information and what are the risks? Do you just need a tax return or a financial statement audit to send to your lender, or do you want a deeper relationship with experts that can help you navigate the issues you face throughout the year (i.e., focus on quality, customer service and technical abilities)? No single firm is a good fit for every dealer. Once you know what you want, you will be more focused and able to clear out the clutter (and, dare I say, the excuses) that can make change overwhelming. Knowing what you want is vital in steering change to your advantage. But knowing means nothing if you don’t act on that knowledge.

## PERFORM YOUR DUE DILIGENCE.

Remember that each of the moves I made were strategic. They were strategic because I thought them through and gathered as much information as I could to determine if the move would get me closer to where I wanted to be. I visited the proposed area and office, researched the opportunity, talked with people who had been through a similar kind of move and with people in the new office. If you are thinking about changing your accounting firm, you will want to do some research.

Firms that specialize in your industry will be a good start, as is talking to others you trust about their experiences with their firms. References are vital in preparing yourself for change, especially references from others who have been through what you are going through. These references can steer you away from choices that may not be a good fit for you, or can help to enforce any decisions you may have already made.

## CREATE AND EXECUTE A PLAN.

To get from where you are to where you want to be, what are the steps you need to take? This is definitely the most difficult part in dealing with change. When I work with a new client, I know there is apprehension in starting over with a new firm. I know because I would feel the same way if I was in their position. To ease this apprehension, I get actively involved in the planning phase with my clients. I visit with them in person and create timelines with specific and measurable deliverables along the way, including detailed lists of what will be needed at each point and who the responsible party is. Breaking down the process into manageable milestones will both reduce anxiety and keep you moving in a forward direction.

Change is far from easy, but the key to overcoming fear is seeing it as a means to a desired end. Think of it like going on a vacation. You wouldn’t just hop in your car and start driving without your destination in mind. You would also take some time to buy a plane ticket or map the route, and book a hotel room. Sure, there may be a few challenges along the way, but the idea is to be better off in the end than when you started. Throughout the process, always remember that list of what matters most to you. These are your driving factors, which will keep you focused and motivated. With this advice in mind, I challenge you to be honest with yourself, set meaningful goals and embrace change that will make you better than you were before! ➤

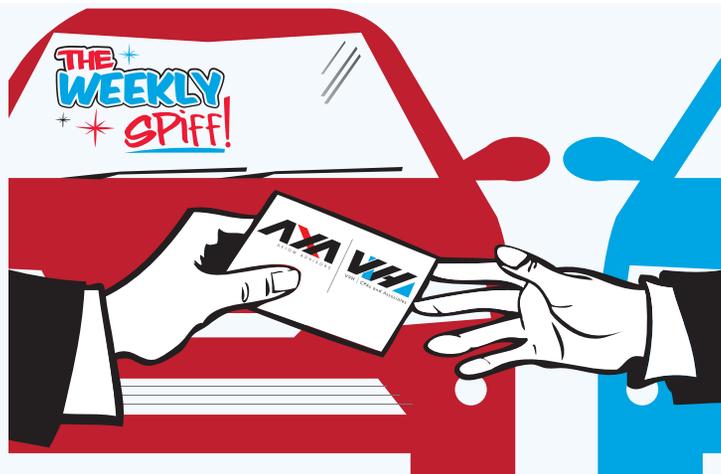
# DEAF V TONE AT THE TOP

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**Phil Villegas**

[pv@axiom-auto.com](mailto:pv@axiom-auto.com)

786-472-2800

**Mercedes Hendricks, CPA**

[mh@vvh-cpa.com](mailto:mh@vvh-cpa.com)

949-226-7449

**Marilou C. Vroman, CPA, CFE**

[mv@axiom-auto.com](mailto:mv@axiom-auto.com)

786-472-2805



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