A Crooked (and Still Unfinished) Road to Great Customer Service
OVERVIEW OF SERVCO
Servco Pacific Inc. (“Servco”) was founded 100 years ago as a two-car garage in Haleiwa.

Became a Chevrolet dealer in 1926, a Toyota/Lexus distributor in 1958, and Subaru distributor in 2007.

Over the years Servco diversified into and out of various businesses, but is now focused on automotive activities.

Servco is the largest automotive company in Hawaii and a major automotive group in Australia, with total revenue of over $1.8 billion in 2018 and employs over 2,200 people.

Ten dealerships in Hawaii and 23 dealerships in Australia with 2018 sales of 40,000 new vehicles and 21,000 used vehicles, and is the 17th largest U.S. dealer group.
COMPANY OVERVIEW
COMPANY OVERVIEW—NEW INITIATIVES

- Our investment arm, Servco Pacific Capital, is based in San Francisco, which is active in private equity and, more recently, mobility-related venture capital.

- Our largest private equity holding (controlled 50-50 with TPG) is Fender Musical Instruments Corporation, which makes Fender guitars, basses, ukuleles and amps, and provides digital products, Fender Play (e-learning) and Fender Tune (tuning app).

- We are also strategic investors in two mobility-related venture capital funds and are exploring partnerships with mobility startups.

- We have launched Toyota’s first global car-sharing service, Hui, in partnership with Toyota, and built Hawaii’s first hydrogen fueling station.
HUI CAR SHARE & HYDROGEN STATION
WHAT WE’VE LEARNED ABOUT CUSTOMER SERVICE
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Phase I: A Good Goal (But More Needed)

• Our first dealership was named Service Motors because, “Service is the heart of any business.”
• Remains in our DNA
• But, customer service was inconsistent
• No systemic support
• Lots of “goodwill” efforts to correct bad service
WHAT WE’VE LEARNED...

Phase II: Happy Folks Deliver Better Service

- We thought engaged and satisfied employees would deliver better service.
- We did a “bottoms-up” process to determine what values we would live by.
- We saw Employee Satisfaction improve.
- We were recognized as one of the “Best Places to Work” every year.
SERVCO’S CORE VALUES

- We show integrity in all we do.
- We put our customers (guests) first.
- We are one family.
- We are never satisfied with our progress.
We are intentionally informal.

– Formality is not “normal” and is, by definition, artificial and fake. It encourages the worst in bureaucracy.

– Informality and humor encourage truth. People will say what they really think if comfortable. They are never comfortable in formal environments.

We try to be as transparent as possible.

– Shared information is a powerful motivator and multiplies productivity.

– Hidden information breeds politics, which is enormously wasteful.
Team Servco Dinner: Air Guitar Contest Winners
EMPLOYEE SATISFACTION GREAT, BUT NO IMPROVEMENT IN CUSTOMER SATISFACTION

Commitment Index *

* Commitment Index = Predicts employee commitment (engagement) and likelihood of discretionary effort.
WHAT WE’VE LEARNED…

Phase III: You Need Good Processes, Too!

Strong culture without strong processes results in well-meaning but inconsistent service.

So, we did the following:

- Dedicated process team of 7 led by PhD/MBA mapped, reviewed and improved all sales and service processes
- Process failures (“disconnects”) are anticipated and ensured against with back-up solutions
- Staff are given the tools and authority to fix problems
- Outside market research firm surveys every sales customer and a good sampling of service customers, and real-time results are accessible on website
Phase III (cont’d)

- Internal metrics that affect CS are monitored (e.g., time to answer the phone, ability to fulfill parts orders, etc.)
- Hiring processes seek service-oriented individuals and training programs consistently reinforce CS focus
- Every sales and service consultant has a CS rating, which determines about 30% of their compensation, and most managers’ compensation have a CS component
- Everyone, including execs, are alerted to great (5’s) and bad (1’s) comments on Yahoo and Google, and all comments are answered
- Sales and service consultants get direct feedback from customer comments via website and fix issues quickly
- Complaints are immediately posted on shared bulletin boards, which automatically follow-up with reminders
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HAWAII AUTOMOTIVE

Customer Satisfaction Top Box Scores vs. Net Promoter Scores *

* Net Promoter Scores = Top Box scores less “detractors” (scores of 6 or below).
A MODEL OF LEADERSHIP
A MODEL OF LEADERSHIP

Tools

SITUATIONAL TOOLKIT

Leadership Styles:
- Coercive
- Authoritative
- Affiliative
- Democratic
- Pace-Setting
- Coaching

Tasks

SET VISION
- Directive

ALIGN
- Consistency (Alignment of Vision, Work & Values)

MOTIVATE
- Engagement & Commitment (Strength of bond)

SHAPE VALUES
- Collaborative

Outcomes

VISION

DAILY WORK

VALUES
LEADERSHIP STYLES
(Daniel Goleman, HBR March 2000)

- Coercive: “Do what I tell you” (Demand action)
- Authoritarian: “Come with me” (Mobilizes)
- Affiliative: “People come first” (Creates harmony)
- Democratic: “What do you think?” (Forges consensus)
- Pacesetting: “Do as I do, now” (Sets high standards fast)
- Coaching: “Try this” (Develops people)
SITUATIONAL USES

- Crisis or turnaround: Coercive
- Change is needed: Authoritative
- Heal rifts or motivate people in stress: Affiliative
- Build buy-in: Democratic
- Get quick results from strong team: Pacesetting
- Improving performance: Coaching
THE TASK FOR LEADERS:

WE ARE NOT MANAGING ORGANIZATIONS.

WE ARE MANAGING MEANING: THE MEANING OUR PEOPLE TAKE FROM THEIR JOBS.