International Journal of Advance Research in Science and Engineering
Vol. No.10, Issue No. 02, February 2021
www.ijarse.com
IJARSE
ISSN 2319 - 8354

Leveraging retention sales based innovative incentive structure to turnaround automobile dealership

Fateh Bahadur Singh[1] , Brajesh Mishra[2], and Anjali Singh[3]

[1]*Research Scholar, School of Commerce & Management, Career Point University Kota, Rajasthan, India*
[2]*Research Scholar, Management Development Institute Gurgaon, India*
[3]*Business Operations Associate, ZS Associates, India*

Address of Corresponding Author:

535, Windsor Green,
Sector 50, Noida
Uttar Pradesh – 201301,India;
Email: singhfb2010@gmail.com
Phone: +91-9910015581.

A brief biographical note
Fateh Bahadur Singh

Fateh Bahadur Singh is research scholar at the School of Commerce & Management, Career Point University Kota, Rajasthan. After successfully completing B.Tech degree in Mechanical Engineering and MBA, he embarked an illustrious career of more than two decades in Indian Automobile sector. Academically, he is interested in strategic management, supply chain management, and application of business process innovation in automobile dealership network (singhfb2010@gmail.com).

Brajesh Mishra

Brajesh Mishra is a research scholar at the School of Public Policy & Governance, Management Development Institute Gurgaon. He has done Master of Engineering, MBA and Post Graduate Diploma in Public Policy & Governance. He has around 25 years of experience of Public Services in various organisations of Government of India. His research interests are focussed at public policy processes & regulatory governance, financial inclusion, and electronics sector (fpm18brajesh_m@mdi.ac.in).

Anjali Singh

Anjali Singh is working as a Business Operations Associate with the global consulting firm ZS Associates. She completed her graduation in Bachelor of Technology in year 2020 from Delhi Technological University (formerly DCE), Delhi. She has previously published her research in leading journals such as the International Journal of Advanced Science and Technology (IJAST) and her research interests lie in the areas of technology and management (anjalidtu97@gmail.com).

International Journal of Advance Research in Science and Engineering
Vol. No.10, Issue No. 02, February 2021
www.ijarse.com
IJARSE
ISSN 2319 - 8354

Leveraging retention sales based innovative incentive structure to turnaround automobile dealership

Abstract

This study aims to suggest innovative incentive structure for Indian automobile dealerships to improve their business performance. Automobile dealerships success is highly dependent on quality of people who are engaged in various operations. The sales team size is quite large where majority of employees are directly engaged in selling vehicles and other auxiliary services. The sales team has to be highly passionate and motivated to take ownership to meet the designed business plan and revenue targets assigned to them. The monthly salary package of sales team members comprises of a fixed component and a substantial variable incentive component. Hence, incentive structure has to be carefully designed to motivate each sales team member achieve assigned the assigned plan of revenues and profits. The study intends to develop practical relevant knowledge by adopting a qualitative approach based action research method and documents analysis. This research paper covers impact of changes in incentive structure on retention and net earnings per vehicle sales. The study emphasizes redesigning of incentive structure by directly linking retention per vehicle sales with incentive amount. The retention per vehicle sales closely represents the contribution of sales team members in the dealership overall profit from new vehicle sales transactions.

1. Introduction

The Indian automobile sector has emerged as a key contributor in the growth of country's economy. It not only generates direct and indirect employments but also adds around 7% to Indian GDP [1]. Automobile dealership network of any manufacturer acts an important interface between manufacturers and customers by executing sales of new vehicles and after-sales services. Most of the Indian automobile dealerships are facing continued pressure from increasing operational costs, cut-throat competition, low manpower productivity, and declining sales volume, with many even finding difficult to sustain their business operations. As per one study less than 60% of dealerships are profit making.

Subjective performance evaluations can better formulate and implement incentive systems in an automobile dealership [2]. The resulting incentive systems can be used as an effective intervention tool to remove perceived weaknesses in bonus/incentive awards, thereby reducing employee risk, increasing employee productivity, achieving greater employee satisfaction, and increasing trust between management and other employees. Such incentive systems could be applied to enhance the alignment of firm interests with its employees to reduce employees' risk.

Incentives are an important tool for manpower management in corporate or projects in which a large no of people are engaged together to deliver a task. In case of monetary incentives, when salary is attached to merit, every employee in the organization will focus on the improved quality and efficiency of work done [3]. Since various level of employees working in any organization may not share the same vision as the owner or director of the company or organization hence incentives plays a pivotal role in order to induce individuals to contribute activity [4]. In an automobile dealership, an innovative incentive structure inspires employees towards the path of achieving plans and enhances profitability as its incentive structure drives the manpower engaged and also motivates them for better results as their income is also linked with the increased earnings of the organization.

On the other side, if, an incentive structure is not designed with deeper understanding of the sales and business or work environment and competiveness of the market then employees do not get aligned with the end objective results which are revenues and profits. This leads to unfocussed efforts and manpower costs as organization keep on spending on incentives to employees which do not yield commensurate positive impact on sales revenue and profits [5].

This study aims to suggest innovative incentive structure for Indian automobile dealerships to improve their business performance (turnaround business for loss making dealerships). Further, the study intends to develop practical relevant knowledge by adopting a qualitative approach based action research method and documents analysis. Section 2 covers an overview of incentives, while the section 3 covers literatures review. The section 4 presents research methodology adopted in the study, while section 5 covers result and discussion. The section 6 contains the conclusion of the study.

2. Overview of incentives

There can be various forms of incentives which differ as per the requirement and business objectives of the organization. Depending on the type of motivation a dealership would like to pursue their employees and the resources available to be given as incentives. Incentive management in an automobile dealership includes the following three important aspects of manpower:

- Performance tracking of employees
- A plan for ‘when’ incentive or reward should be given/ on what basis
- ‘What’ should be given as a reward or incentive

Performance tracking of employees stands as the first step towards an effective incentive system at an automobile dealership or any organization for that matter. Performance tracking includes a regular, strict, and clear reporting of each employee’s efforts and achievements. Typically, automobile companies and dealerships both, look forward to track the efforts of each individual employee for number of leads generated and automobiles sold either directly through customer interaction or indirectly through their initiatives for the area/ regions falling under their responsibility. The need for performance tracking must be regular, in time and strict to avoid any unfairness, bias, or confusion in measuring the efforts of employees and thus maintaining a healthy, motivating, and encouraging environment.

The second aspect which holds importance is to develop the rules of incentives planning which will define when an employee will be rewarded with an incentive. The incentive rules have to be carefully defined to keep a realistic but sufficiently high target for employees to achieve, and to ensure that it is well-aligned with the current goals of the automobile dealership. The target plan has to be also based on the potential available for achieving the designed or set business plan or sales numbers. A reward/incentive scheme that relies on unrealistic goals for

IJARSE
ISSN 2319 - 8354

employees may have a reverse effect on an employee's psychology and demotivates rather than encouraging them. Hence, a well-balanced reward scheme needs to be developed taking into consideration the potential of employees and that of the brand, territory, and time of the year.

3. Literature Review

The literature survey of academic articles, as a part of document analysis, around the research objective helped in the identification of two categories: (i) role of human resource development in automobile dealership, (ii) incentivising automobile dealership employees' performance.

3.1 Role of human resource development in automobile dealership

Tsuru [6] analyzed the economic consequences of performance-oriented reforms in HR systems in a large Japanese automobile dealership. The three major HR reform components considered are – base wages, performance ratings system, and performance connected to pay. The author also measured the productivity effects of HR reforms. The study established that a new HR system (drawing from performance-related pay scheme) may enhance the performance of the auto sales team.

Karthikeyan [7] evaluated the role of human resource development initiatives on sales team in Indian automobile dealerships facing numerous globalization based challenges. The author suggested adopting regular HR as a proactive measure to enhance employees' development processes and improve the dealership's performance. This is important due to the emergence of globalization that has allowed multinational companies to extend their products and services in developing countries like India.

A firm-specific case study presented how an automobile dealership's HR department addresses the challenges of recruiting, developing, and retaining the right talent in the organization [8]. The HR department, inter-alia, selects people with a passion for serving, positive/ right attitude, ability, and potential to perform well. The firm has adopted an employee engagement program (birthdays, festival celebrations, etc.), flexible work hours, counseling/ mentoring cells, stay interviews, etc., as a strategy to retain the firm's right talents. Through structured induction/ orientation programs and regular quality training, the firm has succeeded in reducing the incubation period to half (3 months).

3.2 Incentivising employees performance in automobile dealership

Philipps [9] in his study on matching the compensation plan to the sales role has explained about the importance of understanding the role of sales force first which they need to play and then have suggested to design a suitable compensation package which motivates to play that role. Here, it is utmost important to know the selling environment in which sales team must perform, understanding the customers, their need and the effort level required to close the sales. This includes clear understanding of business plan, competitors. After clear knowhow of selling environment, the objectives can be decided for sales team and it must be aligned with the compensation packages. Glendinning [10] studied the relationship between sales compensation with the personality and attitude of sales people in automobile industry. The study communicates that sales compensation programmes plays a vital role in developing culture of competitiveness in dealerships, an aggressive environment.

Gibbs et al. [2] have examined how subjective performance evaluations can better formulate and implement incentive systems in an automobile dealership. The study established that subjective bonuses can be used as an effective intervention tool to remove perceived weaknesses in bonus/incentive awards, thereby reducing employee risk, increasing employee productivity, achieving greater employee satisfaction, and increasing trust between management and other employees. The authors further argued that subjectivity could be applied to enhance the alignment of firm interests with its employees to reduce employees' risk. Ho et al. [11] have examined how modification in compensation/ incentive plans can affect employees' recruitment, performance, and retention: The authors established that an inferior performance-sensitive compensation may decline individual sales productivity but may not necessarily impact overall company's performance.

Jansen et al. [12] have analyzed differences in incentive compensation practices being followed in the USA and Netherlands, wherein their impact on various financial performance measurements is also evaluated. The study revealed significant differences in practices being followed in the USA and Netherlands. The Netherland manufacturers were found less likely to extend adequate incentives to their managers. Further, in their case, the incentive compensation followed was found to be much more complicated. Merchant et al. [13] have compared performance measurement, and incentive compensation practices followed in Chinese and Western firms (USA and Netherlands) in their qualitative empirical study. The study established that Chinese firms provide better incentive compensation vis-a-vis dealers in Netherlands and USA. The Chinese firms apply subjectivity in their bonus payment plans and also consider non-financial performance measures.

A study by Zhang et al. [14] covers the linkages of pay with productivity in a firm or organization and throws lights on importance of performance-based incentives. Here, individual performance has been in focus and incentives and wages has linked with this which resulted into higher productivity in lower level jobs like front line sales team members. The results of reforms have been encouraging as it has improved individual employees' productivity substantially and has created strong motivating effect in increasing new car sales. Kaul & Singh [15] highlighted need to reduce attrition in Indian automobile industry. The article refers to industry study conducted jointly by FADA and Frost and Sullivan. The rising attrition, especially in the frontline sales force, has been one of the biggest concerns faced by Indian automobile dealerships in the recent past. There has been huge gap between required numbers and the actual skilled manpower available. There is huge pressure to optimize the costs. The study revealed that expense to revenue ratios for dealers, interest cost, and manpower costs have increased over the years hence there is a need to change the incentive structures. The incentive structure should remains attractive for front line sales team members so that their overall earnings keep growing with growth of dealership revenues and profits.

4. Research Methodology

To operationalize this study using a qualitative approach, the "action research" method is primarily applied. It is supported by document analysis on the industry reports, academic articles, and documents containing data from the automobile dealerships chosen for the case study. The business process innovation is used as a conceptual lens to suggest a solution in form of innovative incentive structure to replace the existing one. As per Coghlan [16], action research may be defined as "a participatory, democratic process concerned with developing practical knowing in the pursuit of worthwhile human purposes. It is grounded in participatory worldview." Broad characteristics of action research include: research *in* action, rather than research *about* action; a collaborative democratic process; concurrent with action; a sequence of events and an approach to problem solving (iterative cycle of gathering data, analysis, planning action, taking action and evaluating).

For answering specific questions of this study, a case study approach is taken as it is helpful for establishment of new theory and verifying current theories along with testing specific hypotheses empirically. The automobile dealership chosen for the case study is Shiv Autowings Mahindra, located in the Pimpri Chinchwad area of Pune in Maharashtra, India. This dealership was fit for the study as it represents the Indian automobile dealerships which are facing challenges and are in need for solutions to enhance their profitability. Further, this dealership owner also allowed easy access of their business performance data.

5. Result and Discussion

In this section first the existing incentive structure followed at Shiv Autowings Mahindra dealership was analyzed. Based on this analysis and demerits identified in the existing incentive structure, an improved incentive structure was hypothesized following action research approach. Next, the merits of the new incentive structure are analyzed.

5.1 Analysis of incentive structure prior to October 2020

A snapshot of incentive structure applicable for sales consultant prior to October 2020 is presented in Table 1. As evident from Table 1, the additional incentive amount of INR 50 per vehicle is applicable from 5th vehicle onwards. This was designed to push sales consultants to increase their sales numbers. Sales consultants selling less than 4 vehicles were not eligible for any incentives. For a sales consultant, the job is to convert every potential enquiry to sales and deliver the vehicle to them. The sales consultant is supposed to ensure selling of vehicles by highlighting various schemes and offers and in the process prevent the loss of business opportunity to other brands or dealerships of the same brands.

Table 1 Snapshot of incentive structure applicable for sales consultant prior to October 2020.

Existing structure	Incentive starts from 4th vehicle, INR 50 approx. added on additional vehicles						
Condition	sales	on 4th	on 5th	on 6th	on 7th	on 8th	on 9th	10th and above
Per Vehicle	Incentive	1500	1550	1650	1700	1750	1800	1800
On total vehicles	Retails#	4	5	6	7	8	9	10
Amount Earned	Total	6000	7550	9200	10900	12650	14450	16250

5.2 Shortcomings in the previous incentive structure

In automobile dealership, the revenue generation and the earning sources are many: new car sales dealer margin, pay-out incentive earnings from various banks on in-house finance cases, margins on vehicle insurance, accessories sales, extended warrantee , anti-rust and Teflon coatings etc. Here, a lot of effort is needed in marketing these auxiliary products/services along with new vehicle sales. For this, the sales consultant is required to convince customers and maximize revenue and profits on each vehicle sales by marketing benefits of all these products and auxiliary services. Since, the incentive amount is not linked with overall net earnings and profits which include these entire services, the sales consultant are not motivated to put their best efforts by maximizing earnings in each of such possible areas.

In the incentive structure prior to action research intervention, the incentive amount for sales consultants was linked with number of vehicles sales only. The higher the number of vehicles sales means higher incentive opportunity. In this process, a majority of sales consultants put their efforts to deliver sales of more vehicles even by giving higher discounts and offers which finally erodes into dealership margin and results into loss of earnings and reduced profits on each sale. The efforts and focus of sales consultants has been found missing on selling auxiliary services as the incentive amount is not covering/linked with auxiliary services/products, which reduces the net overall earnings and profits per vehicle.

In summary, the incentive model, failed to motivate the employees to optimize the earning and profit opportunity out of each vehicle sales. In fact, in the race to selling greater number of vehicles, the sales representatives used to offer more discounts than needed. This analysis of the existing incentive structure helped to identify its demerits and propose an innovative incentive scheme which could motivate sales consultants to earn higher amounts and also deliver higher earnings and profit per vehicle to dealership.

5.3 Formulating innovative incentive structure: manpower management

5.3.1 Concept of retention

The ratio of net earnings with the net price of a vehicle with a dealership margin without tax is retention.

$$\text{Retention} = \frac{(\text{Net earnings after all offers \& } \mathit{discounts})}{(\text{Net dealership billing price by OEM} + \text{Dealership Margin} - \text{taxes})}$$

The retention is the net earnings by the dealership on any new vehicle sales after all offers and discounts given to customers. Besides, dealership margin, there are many auxiliary services and areas which add to dealership per vehicle net earnings. The highest contribution comes from in-house finance pay-outs which are normally 1.0% to 2.0% on finance amount. Accessories sales are another one of the highest contributors to increase retention where margins are around 20% to 35% and per vehicle average opportunity calculates to at least INR 5,000 to INR 7,500 on an average sale of INR 20,000 worth accessories. Besides these two, there are many other opportunities to increase retention. For instance, in house insurance margins around 17%, extended warrantee, roadside assistance margins, RTO registration support income, and stockyard handling and vehicle delivery charges etc.

Many dealerships are disbursing incentives based on the number of vehicles sold by the sales consultant; hence they are just trying to deliver higher sales numbers to reach higher sales incentive slabs. Here, in this race, they start compromising on quality sales and just focus on giving higher discounts to customers to close the deal/sale quickly. In this process, dealership retention per vehicle goes down substantially but sales consultant earns their incentives.

5.3.2. Using business process innovation conceptual lens to explore new incentive structure based on 'retention'

The action research approach adopted in this study helped in exploring possible ways to address the shortcomings of the old incentive structure, through the support of experts, senior executives and owner of dealership. Finally, a revised incentive structure model for sales consultant (SC) has been developed. The revised model focused on (i) linking part of incentive with achieving sales numbers, (ii) linking incentives slabs with retention value per vehicle.

The revised structure has been designed to ensure far higher incentives to those sales consultants who deliver higher percentage of retention per vehicle along with increasing sales volume. Comparative presentation of incentive structure (prior to October 2020) and the revised incentive structure are presented in Table 2. As evident from Table 2, the revised incentive structure consists of two components - Part A (fixed) and Part B (variable). The fixed component of the incentive amount is rewarded as a fixed amount based on the number of vehicles sold. This is to ensure that the sales representatives may continue focusing on selling more number of vehicles to meet the targets set by the brand as well as ensure profitability and increases the vehicle population for after sales earning opportunities. The incentive amount given based on the number of vehicles sold comes to around 30% to 35% of the total incentive amount earned.

Table 2 Comparison of old and new incentive structure models for sales consultants

Label	Existing structure	Incentive starts from 4th vehicle, after this 50/- approx. added on additional no's						
Old	Condition		on 4	on 5	on 6th	on 7th	on 8th	on 9th	10,(+)
	Per Vehicle	Incentive	1500	1550	1650	1700	1750	1800	1800
	On total vehicles	Retails#	4	5	6	7	8	9	10
	Amount Earned	Total	6000	7550	9200	10900	12650	14450	16250
	Revised Structure	Incentive has 2 parts (no of vehicles+ retention per vehicle)							
A	Part (A): Fixed	No sale	4	5	6	7	8	9	10
	Per Vehicle	Incentive	500	550	600	650	700	750	800
	On total vehicles	Total	2000	2750	3600	4550	5600	6750	8000
	Part B- Variable Retention Slabs	Amount/ vehicle	Variable incentive based on retention slabs (<5%: 0 incentive)						
B	5%-5.9%	1000	4000	5000	6000	7000	8000	9000	10000
	6%-6.9%	1400	5600	7000	8400	9800	11200	12600	14000
	7%-7.9%	1800	7200	9000	10800	12600	14400	16200	18000
	8%-8.9%	2400	9600	12000	14400	16800	19200	21600	24000
A+B	5%-5.9%	Fix+ Total	6000	7750	9600	11550	13600	15750	18000
	6%-6.9%		7600	9750	12000	14350	16800	19350	22000
	7%-7.9%		9200	11750	14400	17150	20000	22950	26000
	8%-8.9%		11600	14750	18000	21350	24800	28350	32000

Table 3 Results of the application of revised incentive structure vis-a-vis old structure

	Performance Dec'2020					New Structure			Old structure	Differ.
Sales Consultant Name	Net Price (Ex S/R)	Profit	Retention	no of vehicles	Earning per vehicles	vehicle number	retention	Total (INR)	Incentive (INR)	(New – Old)
GK	13105607	832324	6.4%	16	52020	12800	22400	35200	27050	8150
G	3244272	162120	5.0%	4	40530	2000	4000	6000	6000	0
KL	3454463	248499	7.2%	4	62125	2000	7200	9200	6000	3200
MK	4394519	344658	7.8%	6	57443	3600	10800	14400	9200	5200
PK	2620908	201200	7.7%	3	67067	0		0	0	0
RP	937387	63166	6.7%	1	63166	0		0	0	0
SJ	5838810	413024	7.1%	8	51628	5600	14400	20000	12650	7350
SW	3348726	189209	5.7%	4	47302	2000	4000	6000	6000	0
SD	672200	42320	6.3%	1	42320	0		0	0	0
SC	2888925	178437	6.2%	2	89219	0		0	0	0
VK	5294183	393569	7.4%	6	65595	3600	10800	14400	9200	5200
Grand Total	45860908	3068526	6.7%	55	55791			105200	76100	29100

The revised incentive model intends to ensure equally high level of efforts and focus from sales consultants on variable component (Part B) of the new incentive structure. The variable component varies with the 'retention' or the net earnings achieved by the sales consultant on the sale of each vehicle. It ensures that the employees are motivated to find ways to increase the earnings on each vehicle rather than just selling a higher number of vehicles.

The incentive calculations for individual employees both using old and new incentive structures are presented in Table 3. The revised incentive structure motivated the sales team members to sale vehicles so as to achieve higher earning per vehicle by maximizing opportunities of earning from various auxiliary services and products like in-house finance, in-house insurance, accessories sales, extended warrantee sales, road side assistance package sales, etc. The net incentive amount earnings are far higher in revised structure for members who put effort in increasing retention per vehicle. This is a win-win situation for both dealership as well sales consultants. The per sales earning opportunity for a sale consultant as per old structure was INR 7,550 on sales of 5 vehicles whereas in revised structure the opportunity is as high as INR 14,750 (around double the earlier amount) in case the retention slab improves from 5% to 8%.

The important inferences drawn from the comparative incentive structure presented in Table 3 are: (i) three sales consultants (namely G, KL, and SW, despite selling the same number of passenger vehicles, took home different amounts of incentive. This was owing to the fact that KL achieved > 7% retention and hence earned INR 9,200 incentive, INR 3,200 higher than the other two; (ii) the incentive earning opportunity increased for many sales consultants (for instance GK and SJ), who earned far higher amount of incentives in new structure as compared to the old structure. GK earned INR 8,150 additional incentive and similarly SJ earned INR 7,350 additional incentive in new structure; (iii) the dealership spent an amount of INR 29,100 more on incentives in the new incentive structure compared to old structure but for net overall increase in earnings and profits for dealership.

Since the aim of revised incentive structure is to enhance the overall profitability of the dealership, the profitability data for the period October to December 2019 is presented against the similar data for the period October to December 2020 to demonstrate the impact of implementation of new incentive structure based on business innovation process (refer to Table 4).

Table 4 Comparison of total profitability before and after the implementation of the revised incentive structure

	2019			2020			Variance (2020 Vs 2019)		
PV	Sales Volume	Total earnings (INR)	Per Vehicle Earnings (INR)	Sales Volume	Total earnings (INR)	Per Vehicle Earnings (INR)	Sales Volume	Total earnings (INR)	Per Vehicle Earnings (INR)
Oct	80	2798836	34985	40	1944816	48620	-40	-854020	13635
Nov	42	1280667	30492	57	2998116	52599	15	1717449	22106
Dec	65	2302216	35419	55	3068526	55791	-10	766310	20373
Quarter Total	187	6381719	34127	152	8011458	52707	-35	1629739	18580

On comparing the profitability data for the months of October, November and December across the years 2019 (old incentive structure was in place) and 2020 (new incentive structure), it is observed that although the volume of vehicle sales reduced by 35 numbers, the overall profitability increased by INR 1.63 million. It establishes that with increase in sales consultants' focus on retention earned per vehicle, the dealership earned more profits on the each vehicle sales. Thus, the aim of increasing the automobile dealership's profitability has been achieved using action research approach.

5.4 Advantages of the revised incentive structure

The new incentive structure ensures that the employee focuses not only on selling a higher number of vehicles but also maximize the net earnings on each vehicle sold. This has a direct effect on the profitability of the automobile dealership and ensures the employees are following the best practices in their endeavors to sell more vehicles.

In the older incentive structure, the employees were motivated with the aim of selling a higher number of vehicles while the aim of the owner was to make higher profits. These goals were misaligned and often not complementing. Particularly, in cases where more vehicles were sold on discounts but lesser profits were made.. However, after implementation of new incentive structure, each employee (even at the junior level) is motivated to strive for better earnings instead of narrowing their job to just meeting the sales number targets. It enhances a greater sense of ownership and responsibility in them. Further, it aligns the aims of every employee with that of the automobile dealership owner, thereby, giving a greater push to the dealership's profitability.

In the revised structure any sales consultant with higher retention ratio can earn higher amount of incentive even by selling lower no of cars as compare to other sales consultant who sell on higher discounts. For instance, in case one sales consultant sells 5 vehicles with 8% retention – he/she will earn INR 13,750 total incentive, whereas other sales consultant who sells 8 vehicles with 5.5% retention will earn total INR 11,550 only.

Profit sharing can motivate employees to work harder for increased profits, primarily through increased productivity [17]. The revised structure brings big opportunity for all sales consultants as opportunity to earn per month is INR 14,000 on 5 vehicles, INR 21,00 on 7 vehicles, and as high as INR 31,000 on 10 vehicles, provided he/she delivers 8% or 8% (+) average retention ratio per vehicle. In existing incentive structure, the highest opportunity level was INR 7,500 on 5 vehicles retail, INR 10,700 only on 7 vehicles, and INR 15,950 only on 10 vehicles. The revised structure is providing opportunity for sales consultants to earn double incentive amounts than the existing structure.

6. Conclusion

As established in section 5, the study succeeded in formulating an innovative incentive structure for Indian automobile dealerships to improve their business performance: turnaround business for loss making dealerships. Further, the study developed practical relevant knowledge through adoption of action research method and use of business process innovation as conceptual lens. The important advantages associated with revised incentive structure are: shift in focus from ‘number of vehicles sold’ to ‘net earnings derived’, gives a sense and responsibility and ownership to each employee, achieve quality of efforts over quantity, greater opportunity of earning for sales team members, and a win-win situation for both owner and employees. The revised innovative incentive structure has also been adopted voluntarily by two more automobile dealerships in Pune. The future studies may evaluate the suggested retention based innovative incentive structure in other automobile dealerships as well as in other industry dealerships.

References

[1] IBEF., India Brand Equity Foundation, *Automobile Industry in India, 2020*, https://www.ibef.org/industry/india-automobiles.aspx

[2] Gibbs, M. J., Merchant, K. A., Stede, W. A. V. D., & Vargus, M. E., The benefits of evaluating performance subjectively, *Performance Improvement*, *44(5)*, 2005, 26-32.

[3] Rehman, R., & Ali, M. A., Is pay for performance the best incentive for employees?, *Journal of Emerging Trends in Economics and Management Sciences*, *4(6)*, 2013, 512-514

[4] Clark, P., & Wilson, J., Incentive Systems: A Theory of Organizations, *Administrative Science Quarterly*, *6(2)*, 1961, 129-166. doi:10.2307/2390752

[5] Joetan, E., & Kleiner, B. H., Incentive practices in the US automobile industry. Management Research News, 2004.

[6] Tsuru, T., Transforming incentives: Analysis of personnel and employee output data in a large japanese auto sales firm, *Hitotsubashi Journal of Economics*, 2008, 109-132.

[7] Karthikeyan, A., Human Resource Development with Reference to Indian Automobile Dealerships during Globalisation, *International Journal of Engineering and Management Research*, *4(1)*, 2014, 63-65.

[8] Mathew, J., & Varkkey, B., Balancing People Care and Business Priorities at Popular Vehicles and Services Ltd., *NHRD Network Journal*, *8(1)*, 2015, 37-41.

[9] Philipps, G. (1977). Matching the Compensation Plan to the Sales Role. *Compensation Review*, *9*(4), 62-66.

[10] Glendinning, P. M., Kicking the Tires of Automotive Sales, *Compensation & Benefits Review*, *32(5)*, 2000, 47-53.

[11] Ho, J. L., Lee, L. C., & Wu, A., How changes in compensation plans affect employee performance, recruitment, and retention: An empirical study of a car dealership, *Contemporary Accounting Research*, *26(1)*, 2009, 167-199.

[12] Jansen, E. P., Merchant, K. A., & Van der Stede, W. A., National differences in incentive compensation practices: The differing roles of financial performance measurement in the United States and the Netherlands, *Accounting, Organizations and Society*, *34(1)*, 2009, 58-84.

[13] Merchant, K. A., Van der Stede, W. A., Lin, T. W., & Yu, Z., Performance measurement and incentive compensation: an empirical analysis and comparison of Chinese and Western firms' practices, *European accounting review*, *20(4)*, 2011, 639-667.

[14] Zhang, J. J., Lawrence, B., & Anderson, C. K., An agency perspective on service triads: Linking operational and financial performance, *Journal of Operations Management*, *35*, 2015, 56-66.

[15] Kaul, S., & Singh, A., Enhancing commitment and reducing attrition in Indian automobile industry, *International Journal of Education and Management Studies*, *7(4)*, 2017, 564-568.

[16] Coghlan, D., *Doing action research in your own organization*, SAGE Publications Limited, 2019.

[17] Kruse, D., Profit sharing: does it make a difference?: the productivity and stability effects of employee profit-sharing plans. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1993, https://doi.org/10.17848/9780585261614