

Applying Process Improvement to Tackle Dealership Issues with Legal Implications

I have been fortunate to have the opportunity to speak to many of you at association conventions or dealer meetings. During those presentations, I try to update you on key legal issues impacting your dealerships. Although I hope that information is helpful, I want to also make the point that some of this information must be analyzed and translated into dealership processes to make it useful to you on a consistent basis. In my last post, I described why process improvement in general is important to you as your business expands in an environment of ever-increasing complexity. In addition, process improvement relating to legal compliance, like it or not, is going to take on increasing importance in your business. I want to briefly describe some examples of legal compliance topics that require processes and explain how you can approach putting those in place. **Candidates for Legal Process Improvement** Since you are in the business of working with customers, a logical place to start for identifying legal process improvement opportunities is your interaction with customers. The following are examples of customer-focused areas that are likely candidates for the implementation of a process:

- *Retail Financing Transactions.* Many of your equipment sales involve customer financing, some of which are supposed to be “non-recourse” to you. However, to make sure these loans don’t later become “recourse” to you through a chargeback, you need to make sure the lender’s requirements are satisfied on each transaction. Examples may include (a) verifying customer identity, (b) making sure equipment has the proper insurance and (c) delivery of all required customer notices.
- *Used Equipment Transactions.* Many of your equipment sales include trade-ins. In addition to establishing a value for the trade-in, you also need to make sure you will be able to keep the proceeds when you sell the trade-in. To do this, you need to develop processes to confirm the trade-in is not subject to a lien. If it is, the lien holder will jump ahead of you and get the first crack at any proceeds you later receive from selling the trade-in.
- *Repair Work.* Most of you will perform repairs before collecting payment. To increase prospects for payment, you will need to understand the legal steps involved in creating and enforcing a security interest or repair lien and have the appropriate processes in place to be able to use these tools when a customer decides not to pay.

Implementing Legal Process Improvement After a need for legal process improvement is identified, you need to be able to determine how to put it in place. To do that, I recommend the following steps:

- Brainstorm the related areas of your business that may be candidates for legal process improvement to help identify integration opportunities for processes as you dive into more detail.
- Identify your current process (or possibly multiple processes if more than one location is involved).
- Review contracts or related laws/regulations to identify the outcomes needed for the process to comply with the contract or laws/regulations.
- Develop instructions and materials, using existing processes where practical, to make sure the appropriate steps are followed to meet the contract or other legal requirements.
- Determine how the process can be integrated with other processes.
- Establish the goals to be achieved through use of the process.

- Roll out the process to all applicable staff and locations.
- Develop a framework and timeframe for measuring both compliance with the process and whether the process achieved the results desired.

Embracing process improvements to facilitate compliance with legal obligations will be critical for dealers operating in a business filled with legal relationships. It is my hope that this information will help you start or continue on a path that will be important from the standpoint of limiting risk and protecting your dealership's bottom line.