Cars, culture and Covid: How Auto Trader approaches organisational design

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ABSTRACT

Auto Trader evolved from being a classified advertising magazine to being a digital, data oriented FTSE 100 business. On its journey, it has helped transform the way cars are bought and sold. This is the story of what made it happen; how the organisation continually revolutionised itself, and the role that leadership, culture, and data played in making it successful; allowing a traditional publishing business to reinvent itself to think like a start-up and win in the digital economy. In the face of a pandemic, it was these qualities which allowed it to remain resilient and continue to successfully deliver on its goals.

KEYWORDS

Organisational design, Culture, Covid-19

Introduction

Change runs deep in the Auto Trader DNA. What started in 1977 as a regional classified magazine selling everything from houses to airplanes soon grew into the national weekly publication that millions picked up to buy and sell cars. It took to the internet early, not with a clear digital strategy, rather an internal struggle between the web upstarts and the mainstream publishing business. Digital won out. After 35 years of being a magazine business the last printing press finally closed down. It shrank from more than 5000 people to less than 1000. It changed focus from a desktop first, to a mobile first product. Today, there are 478 000 cars advertised on Auto Trader. Of all the time people spend looking for cars, 79% of this time is on Auto Trader, viewing 234.8m adverts every month (Auto Trader, 2020).

In the summer of 2013 Trevor Mather joined Auto Trader as the new CEO. Soon people were referring to his arrival as the 'Trevolution'. Hierarchy was smashed aside; the executive was replaced with a large operational team with "two-in-a-box" leaders who set clear direction and were visibly 'hands on' in organisational change. From being a short-term greedy business, the aspiration changed to becoming a multi-generational business. The focus turned to human values underpinned by a culture of doing the right thing for customers, employees and shareholders (in that order). Sales commissions were eliminated. A scientific, data and insight guided approach to testing product hypotheses was introduced. Engineering teams followed lean and agile development practices. Teams were empowered with greater responsibilities. Decision making was devolved through an organisation that was structured into 'Tribes' with teams 'swarming' around priorities. Change was made not through top down edict, rather by engaging employees through the process so they felt ownership. Employee satisfaction as monitored through Glassdoor (Glassdoor 2021) continued to improve with exceptionally high recommendation and CEO approval scores.

In April 2020, almost overnight, Auto Trader saw the biggest change in its 43 year history. With the COVID-19 lockdown, the entire workforce seamlessly moved from being office based to working from home. Agile working practices such as stand-ups, showcases, design critiques and retrospectives (Ratcliffe and McNeill 2012) were run remotely on Slack, a product that teams had been using informally but was now rolled out across the organisation. The wellbeing of people was considered from the start. Office equipment such as chairs, desks and monitors were made available to improve the home working environment. It was recognised that people would be juggling childcare, home schooling and other responsibilities at home along with their work. A position of maximum trust and co-operation was communicated early.

With car retailers (Auto Traders' main customers) unable to trade, a decision was rapidly made to stop charging subscription fees. When the lockdown ended, new products were rolled out at speed that enabled retailers to 'click and collect' and arrange home delivery. Productivity, as measured by the average number of releases the engineers were making increased to 790 per week, up 21% on the previous year. Results of the monthly internal employee engagement survey showed that employee satisfaction remained relatively constant throughout the year.

The ability to respond to the pandemic with such resilience did not simply lie in being a digital business. It was rooted in the culture, principles, values and organisational design that had developed over time during its transformation.

In this paper we discuss how Auto Trader has evolved from a print business to a digital business. How focusing on principle led decision making, creating a trust-first culture and embedding agile thinking across the organisation built both corporate resilience and a great place to work. We reflect on how these characteristics enabled Auto Trader to manage their way into and through the (currently ongoing) Covid-19 pandemic.

Adapting to change

The expectations that consumers have of businesses is changing. They want more, faster. They assume transparency. They know that alternatives are a click away. They expect change much quicker than most businesses are capable of delivering. Successful businesses need to be able to adapt quickly to the changing consumer. This means they need to not just have great ideas but validate that they are the right ones and get to market at speed. They must be able to discover things, try things, fail fast.

New entrants understand the primacy of the customer and are not only ready, but more often than not built to respond to change. They have a different lexicon to established corporates where concepts such as "change freeze," "Project Initiation Document" and "Program Management Office" do not feature. Most importantly they have cultures that are accepting of change. That is easy for a start-up, but much more difficult for established businesses with cultures that aren't accepting of rapid change. The history books are littered with corporations that are no more, that couldn't adapt, that couldn't change.

Digital brings change and disruption at pace. Within the context of a pandemic, we see change and disruption at a pace we've never seen before. Arguably the best defence a company has is within its culture. Get the culture right and everything else will follow.

Culture

At their heart, organisations are little more than collections of people with a shared, common purpose; to build value for customers. Leaders who don't have their people on side are unlikely to succeed, particularly as many are naturally resistant to change. Coming in as a new CEO, a priority

must be to understand the prevailing culture and assess whether it is right for the direction they want to take the business.

The first thing that Mather did when he joined Auto Trader was to spend time with people across the business at all levels. He wanted to understand the prevailing culture. He spoke to people, saw what they were doing. He was visibly accessible, simultaneously assessing both the changes that might be needed and the people required to make it happen.

Changing the culture of an organisation is possibly one of the hardest things a leader can do. In many respects culture *is* the organisation. It is the way people think, behave, act. How the company approaches the market, how it treats its customers. All these things have evolved over time and probably look and feel right for the organisation. Attempts to impose a new culture from atop are likely to fail when it plays out on the shop floor. Barriers will be found at every turn; in corporate gossip and in-fighting. In dancing around the rules, negotiating around the organisational social norms.

Mather's first task was to disband the previous "executive" replacing it with a large, diverse leadership team. Only two of the fifteen came from the outside. These leaders were visible role models, sending a strong signal to the business of the change to come.

Over his first six months, this new leadership team met off-site every six weeks. They eschewed staying in a hotel, favouring a large holiday home; a converted barn where social connections were made through sharing the cooking and eating together.

The first challenge for the new team was to codify the values the company stood for. These would encapsulate the culture and provide a common connection for the whole workforce. Some of these were already in the DNA of the business: *be determined, be reliable,* others were attributes that role models in the business shared: *be curious, be inspirational,* and as a market leader, the need for humility: *be humble*. These values resonated when they were tested with employees. They were rolled out with big fanfare. These values drove hiring and firing decisions. The first all employee conference was focussed on the values, with employees driving the agenda of what the values meant to them. To this day, every new employee spends three days out of the business exploring what the values mean to them.

Principles

With the values defined, the next priority was to define the principles against which decisions to drive the future of the business could be grounded. These principles evolved into something that the whole business bought into.

Great businesses have a clear purpose. Sinek (2011) describes their ability to articulate why they exist as being more important that what they do or how they do it. Principles lie alongside the purpose. They exist as a guide to how to think and behave. Think of Google and their '*don't be evil*' (Google, 2020). That is not their objective, which is 'to organise the world's information and make it universally accessible and useful' (Google, 2020). '*Don't be evil*' is a principle. Understandable, memorable and a guide for the leadership and employees to make the right decisions in crafting their ongoing objectives, strategy and tactics.

Before we introduce the Auto Trader principles, the way they were written was fundamental to their use and success. They acknowledged both the current reality whilst valuing a better future more, *this over that*.

In 2000 seventeen software gurus got together in a ski lodge in Utah to find common ground around a new way to build software. The prevailing paradigm was the waterfall approach. Rooted in

engineering principles, it sought to design the system up-front, then build the system followed by a phase of testing. This might be appropriate for building a bridge; the physical location is known, and the engineering constraints aren't going to change. But software is more a moving target.

Requirements change as the business landscape moves. Software that is delivered years after it was first specified rarely supports the current needs. The seventeen were proponents of more lightweight approaches to delivering software. Over the course of a weekend they brought together the key principles that define a more agile approach to delivering software. For an industry that was built on an engineering mindset, the manifesto with its focus on people and softer concepts was revolutionary (Rigby et al, 2016). Ultimately, after twenty years, few in IT would disagree with it:

> *Individuals and interactions **over** processes and tools*
>
> *Working software **over** comprehensive documentation*
>
> *Customer collaboration **over** contract negotiation*
>
> *Responding to change **over** following a plan*

Items on the right-hand side are important, but not deemed as important as those on the left hand side

The agile manifesto struck a chord. More than just the content, the way it was written presenting choices resonated with the new Auto Trader leadership team. Most importantly the format was familiar with the engineering teams which made communicating the importance of principles to the business far easier.

Whilst most of the decisions made by the new leadership team were collaborative, and the team evolved them, defining and introducing the principles was an act of leadership by Mather. The principles were designed to give direction to everyone in the business about the way the company would head and help with a framework to make better decisions. Before the strategy, before objectives, tactics, before anything, the new Auto Trader leadership team got behind the principles.

There was some debate about them, but ultimately they were based upon what Mather had observed in his first months of spending time with people across the business. Being framed as *this **over** that*, they provided recognition of what the current reality was, and permitted an evolution to where the team wanted to get to. Over time the principles would be re-visited. Changes have been made but seven years later, they remain core to how the business is run.

There are ten principles loosely grouped around how the leadership team wanted the business to operate and how people would behave.

Firstly, the overriding principle, critical for a company that had been so obsessed (and successful) with chasing the next period's revenue number: Achieving our mission **over** short term financials.

Under this were five operating principles and four behavioural principles:

Table 1: Operating and behavioural principles

Operating principles	Behavioural principles
Efficiency & excellence **over** ROI hunger	Collaboration **over** competition
Simplicity **over** complexity	Empower & trust **over** control & process
Product evolution **over** project	Relationship **over** transaction
Completion **over** initiation	Value & learning **over** hierarchy & status
People development **over** external hires & contractors	

These operating principles guided the culture and values of the business and ultimately helped the business navigate the challenges of Covid-19: Some were especially pertinent and demand deeper exploration.

Achieving our mission over short term financials

The mission the team set for the company was 'to lead the digital future of the UK automotive marketplace'. This meant developing products that their customers and consumers love. This is hard to do if products are treated as projects; resource intensive phases that have a finite budget and a defined end date. Building great products requires continuous improvement and evolution. They are rarely 'done,' value is continually added until they mature and no longer justify the effort to maintain the development focus on them. Even then there is a 'tax' to be paid on keeping a product alive. This is easily described. The challenge arrives when corporate financial accounting takes a view, wanting to differentiate how resource is allocated to the work. Is the funding capitalised (capex) or operationalised (opex)?

Capex is usually associated with the purchase of tangible physical assets such as machinery, hardware and property. Real 'things' that can be put on the balance sheet as an asset and then depreciated over its useful life. The process of reporting Capex requires formal gates for starting capitalisation of different phases of a project, including software development and the associated costs. Opex meanwhile is treated as an ongoing expense incurred in the running of the business, with costs being recorded as they occur. Opex makes more sense, where design and development is more emergent and prescribing these formal gates is not possible.

The problem at Auto Trader was the conflict between Finance treating software development as Capex with Product teams wanting to fund products on an ongoing basis as Opex. Making the change that Product wanted would hurt the short-term profit and loss.

The decision to change this accounting approach that Finance and Product had quite different views on, would previously have been unthinkable. The principle of *achieving our mission over short term financials* provided a shared understanding for both parts of the business to agree with. The decision to move from Capex to Opex therefore was made easier and acceptable to all involved. In the long term this had massive benefits to the focus of the business, providing flexibility in product development but also bringing the organisation more in line with comparable businesses in the marketplace.

When the Covid 19 pandemic led to the UK being locked down, people were unable to leave their homes. Overnight people stopped buying cars, and Auto Trader's customers stopped selling cars. The decision was easy, *achieving our mission over short term financials;* as long as their customers were not making money, Auto Trader would stop charging for their services. The impact on revenue was immediate. Almost no money was made during the period. But significant goodwill was earned and the company was able to bounce back when car retailers opened up again.

Simplicity over sophistication

In the week that Mather joined Auto Trader he attended an automotive conference. Looking around the room there were five tables sponsored by brands he recognised. There was Auto Trader, Razor, Autotrade Mail, Deltapoint and 2nd Byte. Competing for the same customers, each had its own teams, their own salesforce, their own marketing and brands. Yet they were all Auto Trader. Those five tables at the conference were the tip of the iceberg. There were over forty separate brands and sub-brands. Not only was there significant overhead in managing that portfolio, it created unnecessary confusion and complexity to customers, who had to negotiate their way through the

organisation. It was common for the business to send out five different invoices for five complimentary services. At the time plenty of people in the business could justify this.

The principle of *simplicity over complexity* enabled the status quo to be comfortably challenged. All those brands were hardly simplicity. With the leadership team bought into that principle, it was harder to disagree with one of the strategic goals the team then agreed on; *We will simplify our business and integrate our assets.*

Tactically that meant over a six-month period moving them all into one single brand: Auto Trader. Any change like this will be met with resistance, not least with people asking *why?* Having that principle at the core of the move provided a simple reason that was easy to communicate in a consistent manner.

In many respects the Auto Trader homepage used to be a vanity project that represented the ego of the different stakeholders within the business. Whoever shouted loudest in the board room got access to the valuable real estate. What appeared on it was the domain of the HIPPO. The *highest paid person's opinion*. It may have been cluttered and noisy, breaking many fundamental design rules, but none of the executives would yield their ground and de-clutter. With the new leadership team agreed on the principle *simplicity over complexity*, it was suddenly possible to make radical changes to the page.

This principle gave teams who wanted to simplify the page, permission to address the issues. It removed the emotion and land-grabbing of the past, enabling better quality discussions on how the design of the homepage should move forward. It finally provided something to ground the team against when content creep reared its head. "Do we really need that? Is that simplifying the experience for our customers?" The result of the principle, of simplifying the page brought measurable results. Things do occasionally veer on the side of sophistication, sometimes justifiably so but by and large simplicity still rules.

Auto Trader prides itself on its collaborative environment. It places emphasis on conversations over documentation. Meetings to explore and share ideas over proposals and business cases. Every wall in the office is writeable. Yet when the pandemic struck, the entire workforce (including the call centre) found themselves working from home. The change was easy to implement, not least because there was little organisational or technical complexity to navigate. As the pandemic continued it became clear that even when over, working from home would have to become part of the 'new normal.' Trying to create rules, regulations that would inevitably be complex in design and implementation, the Auto Trader solution was principle led; s*implicity over complexity.* People need to be in the office more than they are out of it; *In more than you are out.*

Collaboration over competition

In 1967 Melvin Conway coined an idea that later became known as Conway's law; "*organizations which design systems ... are constrained to produce designs which are copies of the communication structures of these organizations.*"

Another way of putting that is that when you look at a software application, the chances are that its design will mirror the structure (and silos) of the organisation behind it. At Auto Trader this was rife. Take the core task of uploading a car into the system so that it could be advertised on the website. There were four different versions. Not because the task is different, rather because they were built and owned by different teams: one for private consumers, one for contract trade customers, one for non-contract customers and one for trade customers who want to advertise to other trade customers.

We have already seen the plethora of brands. Many of these had their own salesforce, service centers and IT groups. Not only were they competing for the customer wallet, but also internally for resources (both financial and people) to get things done. Many of these groups were actually located in different parts of the country. A sales team made outbound calls to customers from one office whilst a service team took inbound calls from a different location. The service team was not allowed to have any commercial conversations with customers for fear of eroding the sales teams' commissions.

The competition in the business was not healthy. It promoted division and waste, yet was a core facet of the corporate culture at the time. The previous Executive team worked hard and played hard. It had made the company successful; competition was not something the new team wanted to lose, instead how might they make it work for the good of the business. Introducing the principle of valuing "collaboration" over "competition" helped address that, stressing more value should be placed on the former. Agreeing the need for more collaboration enabled brave and bold changes to be made. Sales and service teams which had previously worked apart came together. Questions of 'who made the sale' became irrelevant as sales commissions were replaced by salaries (a change that had no impact on sales performance). Business premises were reduced from several regional offices dotted across the country to two key locations, bringing everyone together.

When lockdown started, and the whole company was forced to work from home, connections between teams and different parts of the business already existed. A common issue with remote teams is that they become silos. "These interfere with the creation and maintenance of a one-team culture within your organisation" (Edwards 2020) and ultimately have a destructive impact; breaking down connections, relationships and relatedness (Cilliers & Greyvenstein 2012). With collaboration so embedded in the way the business operated, these issues did not manifest when the workforce no longer worked together in person. Furthermore, the personal traits of *curiosity* and *determination* encouraged through the values of the business led to teams proactively finding solutions to challenges they found in working apart. Naturally self-governing, they used collaborative tools and open meetings to share these across the business.

Empower & trust over control & process

Organisations that place primacy on process and control are generally inflexible and slow to respond, with a top-down hierarchical management structure, that by design assumes people cannot be trusted. In a fast paced digital business where rapid change is the norm, relying on formal processes and management controls can become a hindrance to the people on the ground from getting things done.

When Mather arrived at Auto Trader, going to the executive with an idea or to get a decision was a nerve-racking and frightening experience for many teams. Some referred to it as going into the lion's den. Proposals, that had taken time and effort to construct would often be rapidly torn apart. Numbers were scrutinised in detail, often resulting in acrimonious arguments. Decisions were being made by people who were just not close to the action.

A different approach was needed. One that placed trust on individuals and teams to make the right decisions as they were needed; moving decision making away from the Board and even away from the Leadership Team. This new approach needed to empower the people that were closest to the two things that really matter in a digital business, the customer and the code. This was made possible by giving the product and engineering teams the context and steer they needed to make those decisions.

Possibly of all the principles, *Empower & trust over process & control* is the one that made the biggest impact in navigating a path to the 'new normal.' With internal and external factors changing

on an almost daily basis, a culture of process and control would almost certainly have constrained the ability to adapt and succeed. Empowering people throughout the organisation 'to do the right thing,' and placing trust in them, undoubtedly ensured that business and project continuity remained, even with little physical access to the workplace and decision makers.

On reflection

As for many, the pandemic offered a chance to reflect. The situation was indeed unprecedented and constantly changing. But apart from the change to working from home rather than the office and the wider economic climate of the motor trade; for Auto Trader the day to day remained largely the same. This can be attributed in large part to what started with those initial principles. A belief of culture over process, experimentation over certainty; *your* way over *the* way.

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