



CULTURE WITHOUT COMPROMISE:
ONE COMPANY'S JOURNEY
IN BUILDING A GREAT PLACE
TO WORK AS A STRATEGIC
BUSINESS IMPERATIVE

Credit Acceptance
Case Study

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Great Place to Work®



IN 2001, CREDIT ACCEPTANCE'S EXECUTIVE LEADERSHIP TEAM SET THE STRATEGIC BUSINESS GOAL OF CREATING A GREAT PLACE TO WORK.

At that time, incoming CEO Brett Roberts made the commitment that there would be “no tradeoffs” in achieving this goal when it came to the financial well-being of the business: In other words, any efforts made to build a great workplace culture would have to also support the overall goal of being the most valuable business possible for shareholders. Over time he saw that the two goals of creating a great workplace and achieving business success went hand-in-hand. Achievement of this goal was set for 2014, and, if met, would be marked by being named to the FORTUNE 100 Best Companies to Work For® list that year. This case study examines the efforts Credit Acceptance took to build a culture that was indeed recognized on the 2014 FORTUNE 100 Best list, and the links between these efforts and the company’s remarkable business success over the same period.

KEY MILESTONES

2001-2014: A Phased Approach to Building a Great Place to Work

2001: Public commitment by incoming CEO, Brett Roberts, to the strategic goal of building a company experienced by team members as a great place to work

Long-term effort beginning in 2002: Developing a shared leadership philosophy for workplace culture

- Commitment to the idea that “The people doing the work know the most about it.”

2007 to present: Great Place to Work® Trust Index® Employee Survey implemented annually

- Baseline result: In 2007, 77% of team members experienced Credit Acceptance as a great place to work
- Ongoing use of survey results to create targeted initiatives to improve team members' experience of the workplace

2007 to present: Development of a comprehensive suite of two-way communication practices, a fundamental component of a trust-based workplace culture

2009 to present: Strengthening cultural foundations and integrating Great Place to Work® principles through the following initiatives:

- Implementation of Quarterly Pulse Surveys
- Further alignment of leaders: Roberts' creation of “Leadership Conduct Rules”
- Collaborative effort to create a well-utilized set of shared company values
- Ongoing development and maintenance of people-related initiatives that serve to build trust, pride and camaraderie

2013: Great Place to Work® Trust Index® Survey Results reach an all-time high, with 94% percent of team members reporting they experience Credit Acceptance as a great place to work. Out of 58 survey questions, 57 showed a score equal to or higher than the 100 Best Companies benchmark.

2014: Credit Acceptance named to the FORTUNE 100 Best Companies to Work For® list.



Credit Acceptance (NASDAQ: CACC) is a 1,300+ employee, Michigan-based indirect finance company with 2012 operating revenues of \$609M. Founded in 1972, Credit Acceptance works with car dealers nationwide to enable them to sell vehicles to customers on credit, regardless of their credit history. The company's motto, "We Change Lives!" speaks to team members' pride in their ability to make a difference in the lives of dealers and customers alike. Without their product, customers may be unable to purchase a vehicle, may purchase an unreliable one, or may not have the opportunity to improve their credit score.

Since 2001, Credit Acceptance has been on the journey of building a great workplace culture as a strategic business initiative. Being recognized as a great place to work is one of the four "BHAGs" ("Big, Hairy, Audacious Goals"), which were put forth in 2001 by Brett Roberts as he moved into the CEO role. The "BHAG" concept was introduced by Jim Collins, the author of the book *Good to Great*. This book encourages companies to focus on long-term objectives rather than short-term tactical goals. A BHAG is specific, measureable, time based and intended to give everyone a good idea of what success will look like when they get there. At that time, Roberts challenged the organization to achieve, by 2014, an average return on equity of 18.6% (ROE was under 10% at the time), a share price of \$100 (share prices were \$9 at the time), 600,000 loans per year, and to be recognized as a great workplace as defined by the Great Place to Work® Institute—that is, one where people trust the people they work for, have pride in the work they do, and enjoy the people they work with. Achievement of this goal would take the form of being named to the 2014 list of the FORTUNE 100 Best Companies to Work For®.

According to Roberts, the only condition that came along with committing to the goal of becoming a great workplace was that these efforts had to support the company's primary goal, which was to create the most valuable business possible to shareholders. "There could not be any tradeoffs," said Roberts. "We decided to only take actions which would both make it a great workplace *and* add to the value of the business." What Roberts said he's seen over time is that much of what a company must do to build a great place to work must also be done in order to build a strong

business. "The two goals are very much aligned," he said.

In 2007, Credit Acceptance began working with the Great Place to Work® to administer the Trust Index® employee survey, which is the same survey the Great Place to Work uses to assess and rank the FORTUNE 100 Best Companies to Work For. At that time, 77% of team members at Credit Acceptance reported that they experienced Credit Acceptance as a great workplace. By 2013, that number reached a solid 94% and in January 2014, Credit Acceptance reached its goal by securing its spot as one of the FORTUNE 100 Best Companies to Work For in America.

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Over the same period (considering 2012 year-end financials), company revenues increased by 154% from \$239.9M to \$609.2M, net income increased by 300% from \$54.9M to \$219.7M, and earnings per share increased by 388% from \$1.76 to \$8.58. In 2013, Credit Acceptance shares were trading at \$113, and average return on equity was trending at ~23% for the period that started when BHAG goals were set in 2001. According to leaders at Credit Acceptance, this outstanding business performance and the simultaneous improvement in workplace culture did not happen by chance. Said Chief Administrative Officer John Neary, "It is impossible to separate our financial success from the culture in which it occurred."



LAYING THE GROUNDWORK: ADOPTING A SHARED PHILOSOPHY AT THE LEADERSHIP LEVEL

At the beginning of his commitment to building a great place to work in the early 2000s, Roberts made fundamental changes in how the culture was perceived and managed. His view of his own role as a leader evolved based on 360° leadership assessment work, concepts from Great Place to Work® CEO and Co-Founder Robert Levering’s book, *A Great Place to Work: What Makes Some Employers So Good (And Most So Bad)*, as well as other sources of leadership coaching and guidance.

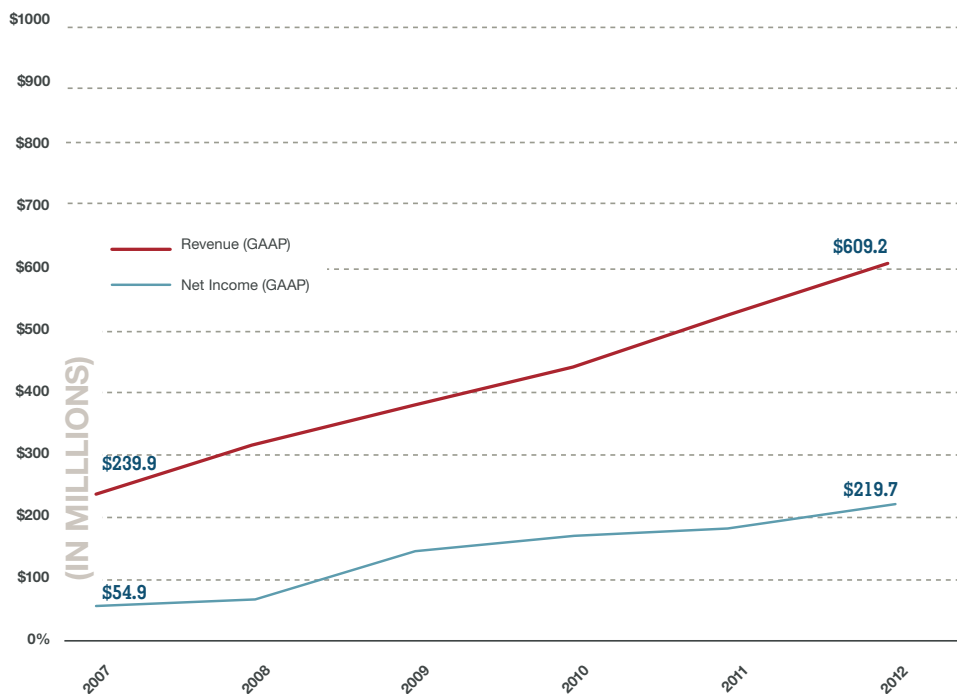
In particular, the concept that the people doing the work know the most about it, from Levering’s book, resonated with Roberts. He wanted to help team members remove any obstacles that would help them get their work done most effectively, and to hear their ideas and input directly. To this end, he committed to building a culture driven from the bottom up, with a strong focus on team member input and feedback to help inform action. Through the implementation of a wide variety of two-way

communication mechanisms and a true respect for each team member’s voice (described in more detail below), this concept has become one of the defining elements of the company’s culture, and an important component of its success.

The shift to a bottom-up mentality did not happen easily, and team members and leaders alike had to adapt to the new philosophy. “As a leader, you sit down with a room full of people and they tell you what’s wrong, and then you fix it,” said Roberts. “But there are a lot of layers in between to get everyone comfortable with that process. It took a lot of effort.”

Some leaders had difficulty adopting this approach. According to Roberts, they simply could not embrace the idea that the people doing the work knew the most about it. “They were uncomfortable with that idea and felt threatened...they felt like they were giving the power of the leader to the people,” he said. Over time, leaders who could not adopt this philosophy either left the company or had to be let go. Others were skeptical at first, but tried shifting their leadership approach to be more integrated with the voice and experience of front-

Credit Acceptance Revenue and Net Income (in millions)





line team members. Roberts said, “They had that ‘aha’ moment where they thought, ‘I get it now. I can see how this will work. There’s nothing to be afraid of here.’” Over time, Roberts has crafted a senior leadership team that is fully aligned with this concept.

“You can’t just snap your fingers and put together a leadership team like the one we have today,” said Roberts. “I think a lot of why it took so long for us to make substantial improvement in our culture is that it’s just hard to get the right people in place that are going to buy into the goal and have the skills, temperament, and philosophy that are necessary to create a great work environment.”

TAKING CULTURE TO FORTUNE 100 BEST COMPANY TO WORK FOR LEVELS THROUGH KEY INITIATIVES

IMPLEMENTING THE GREAT PLACE TO WORK® TRUST INDEX® SURVEY

In 2007, Credit Acceptance began using the Trust Index® employee survey annually as a way to assess and make targeted improvements to

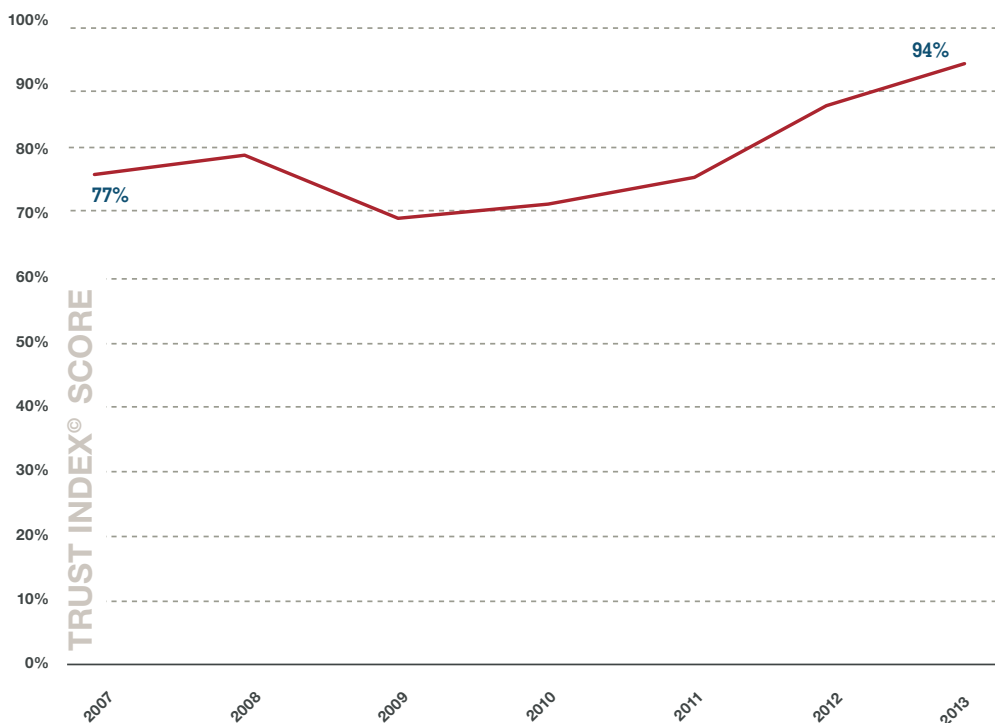
the workplace culture. This began when several leaders attended the annual Great Place to Work® Conference, which is a forum for leaders from FORTUNE Best Companies to Work For to share their best practices with organizations across the country. According to Aleyce Joshua, Director of Human Resources, at this time they saw that despite initial strides in developing a great place to work, they still had a lot of work to do to reach the ranks of the 100 Best.

To that end, the organization contracted with Great Place to Work® to begin using the Trust Index® employee survey to get an annual, concrete assessment of how team members were experiencing the workplace. The use of the Trust Index® survey also allowed them to benchmark their results against those of the FORTUNE 100 Best Companies to Work For®, and to achieve a more granular understanding of how they could make improvements each year.

“Great Place to Work® Institute was the standard of independent assessments of the health of a workplace,” said Chief Administrative Officer John Neary. “[The Trust Index® survey] offers a

Great Place to Work® Trust Index® Survey Data

“Taking everything into account, I would say this is a great place to work.”





comprehensive approach rather than a simple view of how a workplace is doing...it gives us focused ideas, and generates action items that give a better chance for improvement.”

Now, the Trust Index® survey has become integrated at Credit Acceptance as a key business metric. It not only informs large-scale, people-related initiatives, but it has also become one of the indicators leaders use to gain a picture of the company’s overall “organizational health.” Organizational health at Credit Acceptance refers to “putting team members in position to do their best work,” and includes elements such as proper staffing, clear expectations, and an effective organizational structure. The Trust Index® provides data that helps identify pockets of the company where team members may be experiencing a lack of communication, issues with staffing, or even potential turnover, so that action can be taken. It also helps to inform their compensation, staffing strategies, and more. “The Trust Index® helps us build a Great Place to Work,” said Joshua, “and is a strong input into leaders’ overall analysis of

The Trust Index® survey informs large-scale, people-related initiatives and has become one of the indicators leaders use to gain a picture of the company’s overall “organizational health.”

whether or not we are successful.”

INITIAL FOCUS AREA: STRENGTHENING INTERNAL COMMUNICATIONS PRACTICES

Results from the first Trust Index® employee survey in 2007 were positive overall, with 77% of

employees experiencing the company as a great place to work, though they were not at 100 Best Company levels. Specifically, survey data pointed to a need for improved internal communications, which is a fundamental component of a trust-based workplace culture. In 2007, just 67% of team members experienced two-way communication positively, falling short of the 100 Best Benchmark for two-way communication that year by 14 points.

Credit Acceptance worked with Great Place to Work® to understand best practices in the area of two-way communication, and then developed their own internal communications strategy that would provide an opportunity not only to share important business information with team members, but also to hear what was happening directly from those on front lines.

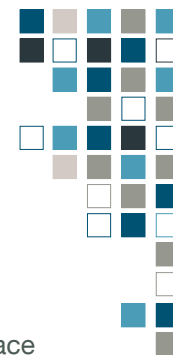
The original plan included:

- Company-wide town hall meetings held quarterly in each location by Brett Roberts
- Department-level town hall meetings held at least monthly
- Weekly meetings for all teams across the organization
- Department-level round tables held annually by Brett Roberts with each department
- Hiring an internal communications specialist to structure and maintain a comprehensive communications strategy.

Over time, Credit Acceptance built upon these efforts and has rounded out their communications strategy with more initiatives, including:

- Quarterly pulse surveys (see “Featured Practice”)
- A process for creating communication plans for every major new project, where everyone who is impacted is given consideration and an opportunity to provide input where appropriate
- The “Red Tape Remover Button” on the intranet homepage, where team members can make suggestions that land directly in Brett Roberts’ inbox and are guaranteed a response
- A brand new intranet that promotes transparency, communication, and pride.

As a result of these actions, survey results for communication improved dramatically. In fact, by



2013, Trust Index® survey results in the area of two-way communication had risen by 23 points to 90%, exceeding the 100 Best Benchmark by six points.

Roberts says it's extremely valuable for himself and other leaders to have frequent and direct lines of communication to front line team members, because leaders can understand the broader implications of issues they hear about in ways that those on the ground might not. When they believe it's necessary, leaders can make an issue a priority and put immediate resources in place to fix it before the organization sustains further damage.

The reverse is true as well. By staying in close communication with team members regarding issues and changes that affect their daily work, leaders can understand the broader implications of their decisions, from the perspective of those on the ground. This understanding ensures that as much as possible, decisions truly support people in effectively carrying out the work of the business.

Not surprisingly, it wasn't just the communications scores that improved as a result of these initiatives. According to Joshua, team members viewed leaders as being more competent because they now had better insight into what was going on in the business. In this same period, Trust Index® results showing the percent of team members who believed that leaders are competent at running the business rose from 79% to 95%, and those who believed that leaders have a clear view of where the company is going and how to get there rose from 76% to 94%, far exceeding the benchmarks set by the 100 Best in these areas.

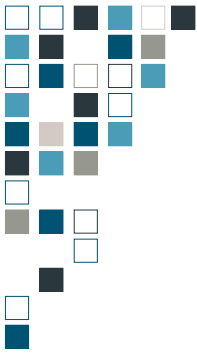
As a result, Roberts noted that it became far easier to manage change. He remembers a time when changes that leaders had determined were important to the success of the business were very difficult to implement due to team member resistance. However, he said that with "the right" culture in place, people are far more likely to support initiatives that may feel uncomfortable at first. This is partly because team members trust leaders' competence, and also because people have a clear understanding of what is happening in the organization and how changes will affect them.

2009-2013: STRENGTHENING CULTURAL FOUNDATIONS AND INTEGRATING GREAT PLACE TO WORK® PRINCIPLES

In 2009, despite a continued focus on workplace culture, the impact of the financial crisis hit Credit Acceptance. With less access to capital, loan origination growth slowed and leaders had to give some employees the choice to either move to another position or department, or to look for a job elsewhere. Trust Index® scores hit an all-time low, with just 69% of team members stating they experienced the company as a great place to work, falling 22 points below the 100 Best Benchmark. "We took a hit that year for that decision," said Roberts, "And I think we learned from it."

According to Roberts, much of what a company must do to build a great place to work must also be done in order to build a strong business. "The two goals are very much aligned."

In response to the lower Trust Index® scores, leaders embarked on a variety of workplace-related initiatives to get the culture moving back in the right direction. John Neary pointed to three key cultural initiatives that took place in the 2009-2012 timeframe that served to strengthen the foundation of the culture, further integrate great place to work concepts as a way of life, and move survey results to 100 Best Companies levels. These were: implementing and taking action on quarterly pulse surveys, developing leadership conduct rules, and collaboratively redefining and integrating a set of shared company values.



QUARTERLY PULSE SURVEYS

In 2009, monthly (now quarterly) “pulse surveys” were rolled out for each department, and all senior leaders were trained on how to handle responses in a manner consistent with Great Place to Work concepts. The pulse surveys would supplement the annual Trust Index® survey, and provide more frequent opportunities to gather team member input, track progress, and course correct.

With each pulse survey, leaders devised a system where they would organize responses into themes and then address each theme openly with team members. As a result of the close attention to team members’ voices, the company has made continuous improvement across the entire organization in the places where attention was needed.

Said Neary, “The theme here is that we are listening to ideas from our team members, and we are acting on them. We have a very feedback-driven culture. Every time we talk about our company culture, we talk about the fact that the people doing the work are the ones who know the most about it. And because of that, the ideas and initiatives that are put into place are more easily adopted and genuinely further the success of the organization.” Since the implementation of the pulse survey in

2009, Trust Index® survey scores for the statement “Management genuinely seeks and responds to suggestions and ideas” have jumped 35 points, from 56% in 2009 to 91% in 2013. This exceeds the benchmark set by the 2013 100 Best Companies for this statement by nine points.

LEADERSHIP CONDUCT RULES

In order to further align his leadership team, Brett Roberts led a process among the group to create “Leadership Conduct Rules,” based on the team’s own experience of how to lead effectively, mistakes they had made in the past, and behaviors they believed would result in the most highly-functional team. The rules they created are now ascribed to and guide leadership behavior across the organization.

As a result, team members have a more consistent experience of leadership at Credit Acceptance, and up-and-coming leaders have clear guidelines to follow. Not surprisingly, there has been an increase in Trust Index® scores from 64% of team members in 2009 who consistently experienced the senior leadership team as being credible, to 91% in 2013, exceeding the 100 Best Benchmark by five points.

FEATURED PRACTICE: QUARTERLY PULSE SURVEYS

Quarterly pulse surveys are deployed each quarter to keep a “pulse” on team members’ experiences and collect ideas for improvements. The pulse survey consists of one survey statement drawn from the Trust Index®: “Taking everything into account, I would say Credit Acceptance is a great place to work,” as well as the open-ended question: “What do you think is our #1 opportunity to improve? (or maintain your score if it’s a 4 or 5 already).”

Leaders devised a system where they would organize responses into themes and then address each theme openly with team members, responding to survey themes in one of three ways:

1. **Take Action:** Make a public commitment that the issue will be handled, and by when
2. **State Position:** Share that the issue cannot be managed at the present time, and provide rationale
3. **Ask for Help:** Seek clarification on a theme, typically through encouraging additional feedback or, in some cases, holding a focus group to learn more

Ninety-one percent of team members now report that “Management genuinely seeks and responds to suggestions and ideas,” up from 56% in 2009, when the quarterly pulse surveys were first implemented.



REDEFINITION OF COMPANY VALUES

Over the years, the culture at Credit Acceptance had undergone a significant transformation. According to Aleyce Joshua, “After looking at all the things we’d done and the changes we’ve made, we saw that we had the same core values we’d had ever since we’d been existence. But they weren’t really identifying or defining who we were as a company anymore.”

In 2012, the company engaged in a collaborative process to redefine the core values, where team members were asked in a survey to describe what their ideal role model at Credit Acceptance would be like. They were asked to be specific, and to share the examples and adjectives that would be associated with that person. Leaders placed the responses into themes, and crafted what are now known throughout Credit Acceptance as the PRIDE values: Positive, Respectful, Insightful, Direct, and Earnest.

John Neary, who led the process, says that the PRIDE values are now a fundamental part of the company’s identity, and are integrated into everything they do, including recruiting, hiring, training, performance reviews, promotions, and recognition. By incorporating these shared values into many different team member touch points within the organization, team members’ experience of Credit Acceptance as a whole is infused with a deeper sense of consistency and meaning.

ONGOING DEVELOPMENT AND MAINTENANCE OF PEOPLE-RELATED INITIATIVES

In conjunction with these key initiatives, leaders also overhauled people-related practices across the organization, incorporating team member feedback at every step. The onboarding process was revamped to incorporate the company values, a meeting with Brett Roberts, a buddy system, and more. Team member recognition was enhanced with practices such as “PRIDE Awards” to reinforce the values, and an elite “Changing Lives” award linked to serving the company’s mission. Additionally, a comprehensive new leadership development program, as well as opportunities for volunteerism, celebration, inspiration, and more have been other notable initiatives launched in this period that have served to strengthen the overall team member experience of Credit Acceptance as a great place to work.

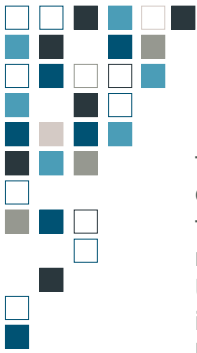
As a result of these efforts, Trust Index® results have seen tremendous improvement since 2009. In 2013, a full 94% of team members reported they experience Credit Acceptance as a great place to work, surpassing the 100 Best Benchmark by three points. Within this same timeframe, the organization also met and surpassed its goal of a \$100 per share price. The organization is currently enjoying average return on equity levels above the 18.6% goal set in 2001. Finally, for 2012, Credit Acceptance reported the largest number of contracts, highest revenue, highest earnings per share, and highest net income in its 41-year history.

LINK TO BUSINESS SUCCESS

According to Great Place to Work CEO and Co-Founder Robert Levering, increasingly, “CEOs are coming to justify creating great workplaces in business terms.” Research conducted annually by Russell Investments on the publically-traded 100 Best Companies to Work For shows that the comparative annualized returns of the 100 Best outperforms other major market indices by nearly 300%, indicating that great workplaces understand how to sustain growth over the long term, and that financial success does not need to come at the expense of employees’ happiness. Credit Acceptance is no exception—their success, as shown across several financial indicators, has shown dramatic improvements, tracking with the improvements seen in their Trust Index® survey results.

However, any statistician will note that “correlation does not imply causation.” After all, simultaneous to the work that was being done in the cultural realm at Credit Acceptance, many business decisions were also made within the broader economic environment that drove the financial performance of the organization. According to the company’s 2012 Financial Report, key factors that have contributed to the company’s financial success have included the years spent developing a competitive and profitable product, a close understanding of how to develop profitable relationships with dealers, the ability to execute the loan origination process consistently over time, and a strengthened focus on their core business.

The 2012 Financial Report also notes the following factors as having contributed to the company’s financial success: the close attention



to organizational health (described above), the development of a strong senior management team, and the remarkable group of team members on board at Credit Acceptance. Ultimately, financial success does not happen in a vacuum, and even the most ingenious business strategy will struggle without the cooperation and support of the people executing the work of the organization. Taking these points into consideration, what becomes clear in the case of Credit Acceptance is that paying close attention to both the business and the culture led to success on all fronts.

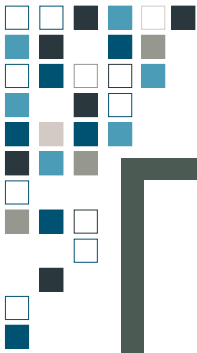
Roberts expanded on this point, sharing that many of the key business initiatives that were implemented in this period would not have been feasible had it not been for the top-caliber talent they had on board. “We have people here who could choose where they wanted to work, and they chose to work here,” he said. “I think we’re much more successful in those battles [for top talent] than we would have been if we hadn’t focused on becoming a great workplace.” He says that practices like listening to people’s ideas and providing them with opportunities to grow simply make it more attractive for talented team members to stay on board.

When it comes to the true ROI associated with building a great workplace, Roberts’ perspective since 2001 has evolved. When the leadership team set the goal of creating a great place to work, they believed the initiatives that would need to be implemented would take money away from the bottom line, and thus would need to show a concrete return on investment in order to justify the cost.

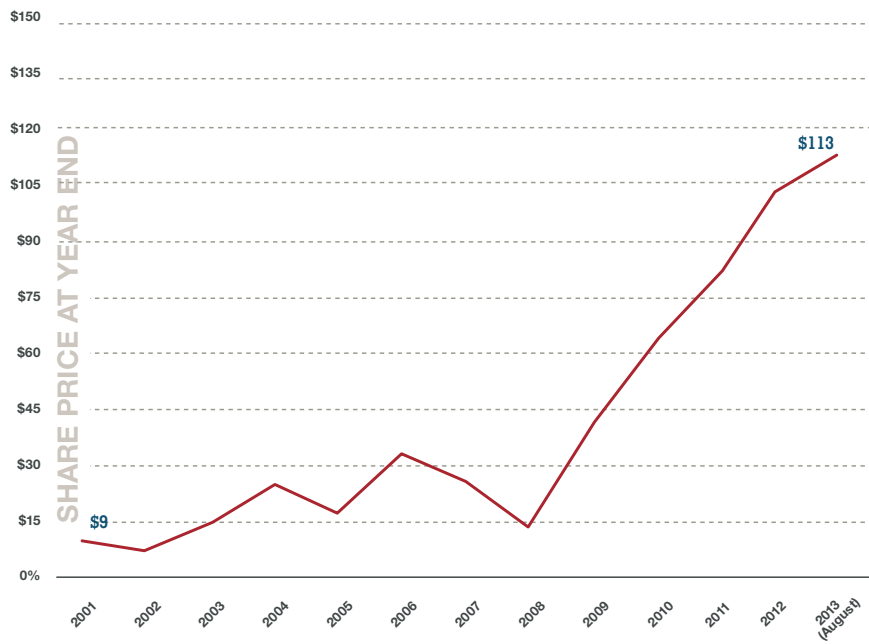
What Roberts says now is that leaders don’t have to think about it in these terms. “Most of the things you do [to build a great culture], you should be doing anyway. They don’t cost much. It’s treating people the right way, treating them with respect...there’s not a big cost to any of those things. I don’t think about that every day anymore because I’m sold.” Creating a great place to work, he says, “Is a very effective way to create a great company.”

FINANCIAL PERFORMANCE

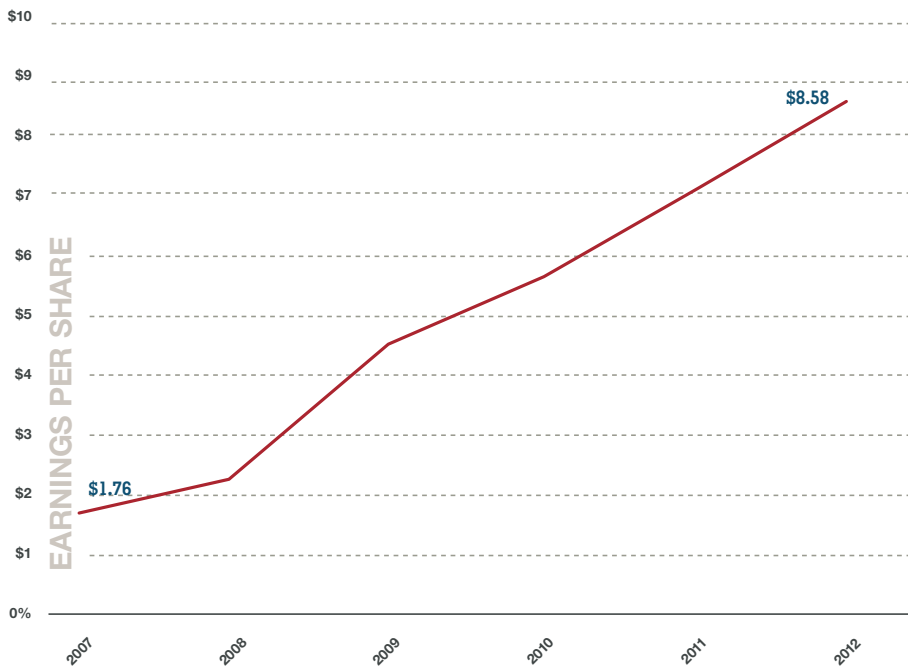
The following graphs illustrate key performance indicators that improved throughout the time in which Credit Acceptance focused on creating a great workplace.

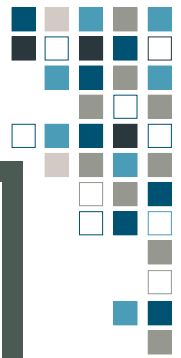


Share Price: 2001-2013

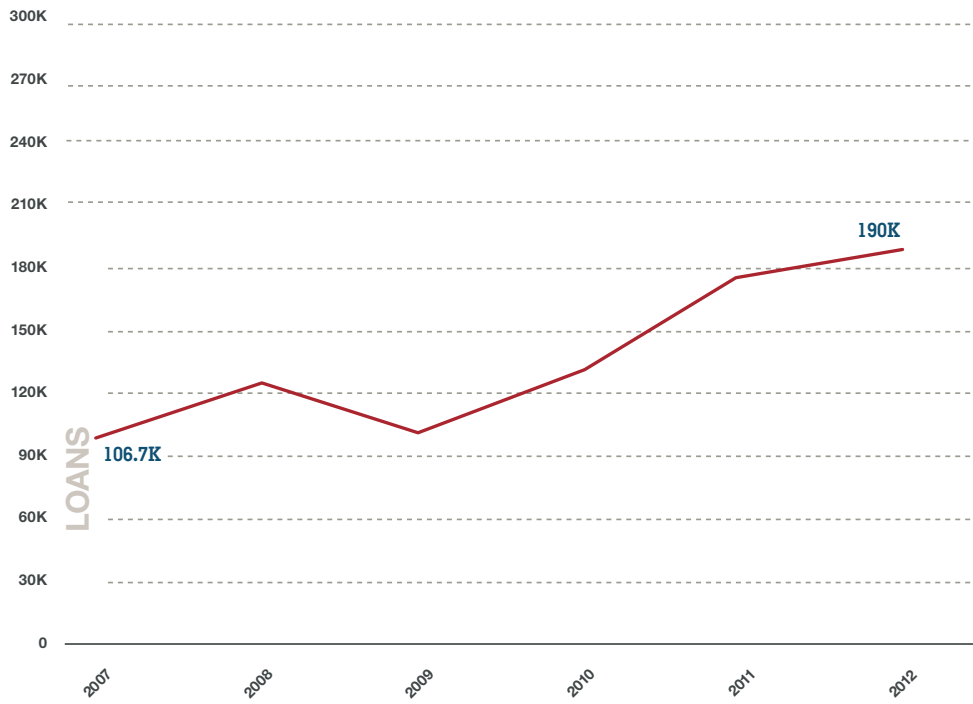


Earnings Per Share (Diluted GAAP)

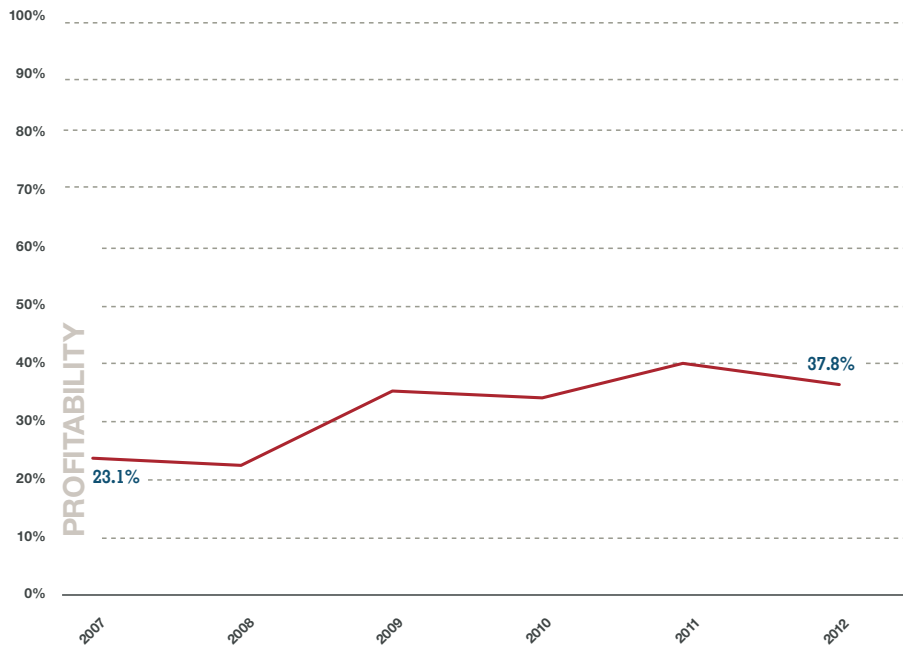




Loans (Unit Volume)



Profitability (GAAP ROE)

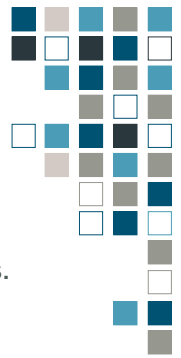


Average Equity (GAAP) (In millions)



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About Great Place to Work®

Great Place to Work is the leading authority on high-trust, high-performance workplace cultures. Our insight and expertise is based on 25 years of work with thousands of companies and research drawn from over 10 million employee surveys.

We use adaptable, customizable tools modeled on the dimensions of trust found in great workplaces, to design tailored solutions for organizations that put people first and believe that people drive superior business performance. Our advisory service, best workplace benchmarks and leadership development programs, help companies build trust-based relationships to nurture a culture that fosters sustainable business success.

Great Place to Work produces 45 great workplace lists around the world and the FORTUNE 100 Best Companies to Work For® list here in the United States. Our ongoing research validates that great workplaces are more successful businesses and provides us with the framework and expertise to help companies transform their workplace cultures.

Visit us online: www.greatplacetowork.com