

MANAGEMENT PRACTICES AND FIRM
PERFORMANCE: HIERARCHY, INFORMATION,
AND NEGOTIATED PRICING AT AUTO
DEALERSHIPS *

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Management Practices and Firm Performance: Hierarchy, Information, and Negotiated Pricing at Auto Dealerships

Abstract

This paper examines, at a micro level, the connection between two management practices and firms' performance. Using a combination of transaction-level data on new car purchases in the US and a unique survey of dealership management practices, I examine how two common variations in practices, sales process and information tracking, affect observed negotiated price outcomes. These results elucidate a mechanism by which differences in managerial practices can contribute to persistent differences in ability to capture value between seemingly similar enterprises. I find that a hierarchal sales process allows the firm to capture low-value sales that would otherwise be missed. Information tracking increases the margin earned from customers who would have bought anyway.