

# Supply Chain Management Best Practices



## Turning Branch Managers into Business Managers

*"I have come to realize how important the operational managers are to the success of the organization."-Jason Bader.*



## **Branch Managers' Power over Profitability:**

Over the past several years, I have been focused on helping distributors become more profitable than they ever thought possible. In this mission, I have come to realize how important the operational managers are to the success of the organization. They are one step off the front line and generally have their fingers on the pulse of the customer fulfillment machine. Unfortunately, many of the companies I have observed fail to adequately equip these leaders with the tools to be successful. They are shown the door to the branch, but then handed an enormous key ring and left to their own devices. It is a thankless journey that often leads to burnout. With a little thought and organization, we can help them channel their energy in a positive direction.

Last week, I worked with a group of branch managers from the same vertical market. It was part of a rigorous training course brought forth by the leadership of their trade association. At the beginning of this program, the direction was clear. Turn branch managers into business managers. We, as the owners of these companies, are not equipped to do this internally. Hence, the program was born.

These managers, and managerial candidates, all shared a desire to improve the function of the operations they serve. Inefficiency and poor results are not due to a lack of effort. They are just missing a few parts of the toolbox. When given these positions, there was very little direction. Essentially, "You have been an exceptional customer service representative, so let's make you the branch manager." The candidate is excited at the prospect, but has very little idea about what they just agreed to. If we ever want them to thrive in this position, we have to show branch managers how to become successful custodians of the asset.

## **Teach Financial Understanding:**

The typical branch manager has been exposed to the selling side of the business. They have figured out the fundamental desire to sell products for more than they were purchased for. They have probably been exposed to terms like gross profit, gross margin, operating expense and net profit. Some of them might even understand cost of goods sold and carrying cost. In most companies, you would be hard pressed to find branch managers who understand how the different parts flow together to find balance. This has got to change. At the risk of being redundant with long time readers, expose your branch managers to a monthly income statement and teach them what each of the components mean. How can we ask them to make the company more money if we

don't show them where we are today? Talk about how overtime drives up operating expense which ultimately erodes net profit. Talk to them about how the use of common carriers can actually reduce our overall cost to deliver orders. Team them that a two percent bump in gross margin can often double the bottom line. In my opinion, whoever is charged with overseeing the branch managers should review the income statement every single month.

## **Measuring Branch Performance:**

As the old saying goes, you can not manage what you can not measure. I really think this was meant to say, you can not improve what you can not measure. Without the recording and review of basic measurements, branch managers will be hard pressed to show noticeable improvement. I have written a great deal about the use of monthly branch scorecards. In my experience, this is how we tell that branch manager what is important and what they should focus on. Without some sort of coherent list of measurable expectations, the branch is like a ship without a rudder. Let's take the guessing out of the process.

Make no mistake about it, distributors are selling entities. It is in our DNA. I don't ever want to lose sight of that when designing branch management tools. Probably not going to happen; but I am a suspenders and belt kind of advisor. I would much rather get the rolling of the eyes than make a disastrous assumption. When building the sales component of your scorecard, keep the verbiage focused on gross profit. For example, don't measure sales dollars per order; rather, measure gross margin dollars per order. This gets your recipient in the profit frame of mind. Four or five sales related metrics are sufficient.

In order to round out the income statement responsibilities of our manager, we need to create a set of operational expectations for our scorecard. Now this might be a little foreign territory for our newer managers, but a little focused education will clear each of these components up. On the operational side, I tend to suggest inventory management metrics, fulfillment metrics and staffing ratios. By explaining how each of these metrics will reduce the operating expenses, and give us an opportunity to drive net profit, you are coming full circle on the financial responsibilities of branch management.

## Leadership Criteria:

This is where our direction gets a bit subjective. The measurement here is based less on tangible ratios from our performance, but rather a consistent message of professional skills development. In working with clients, I have come to realize that constant reinforcement of skills development is just as important as the identification of the skills themselves. If you want a branch manager to improve their employee retention skills, then you must speak to this every single month.

If you would like to see improvement in facilities maintenance, then you must reinforce this every single month. With a recent client, we identified eight specific critical skills for branch managers of this company. Things like product knowledge, conflict resolution and recruiting all made the list. In order to reinforce development of these areas, the operations manager gives the branch manager a rating based on 10 point scale. Again, this is highly subjective. This is performed, documented and reviewed with the manager every month. Not only are the critical areas reinforced, but this practice has produced a brilliant byproduct. With these 12 reviews, the arduous task of an annual review is far easier to complete and gives a stronger picture of how the manager has grown in the past 12 months.

## The Monthly Review:

If you really want to develop stronger, profit-minded managers, you must be willing to sit down and review progress on a monthly basis. I recommend that you go over these 3 components: the monthly branch income statement, the branch performance scorecard and the branch manager review. In one hour, the branch manager will walk away with a very clear understanding as to where they are and where they need to be. This is a guide. This is a rudder.

As I mentioned previously, I have become thoroughly convinced that we need to step up our game with regards to branch management education. These folks are so close to the point at which profit is made or lost. With a little effort, organization and a healthy dose of consistency, we can realize our goal of turning branch managers into business managers. Good luck and know that I am always here to help.

## About the Author:

We hope you found this article of value. We have many additional articles on our website and we also can partner with your company if there is need to explore other supply chain management technology solutions. We can consult with you to give solid guidance on strategies and systems that have led to success from our vast industry experience. We look forward in hearing from you. Our contact information is below.



Jason Bader is the principal of The Distribution Team. He is a wholistic distribution advisor who is passionate about helping business owners solve challenges, generate wealth and achieve personal goals. He can be found speaking at several industry events throughout the year, providing executive coaching services to private clients and letting his thoughts be known in an industry publication or two.

Phone: **503-282-2333**

Email: [jason@thedistributionteam.com](mailto:jason@thedistributionteam.com)

Website: [www.thedistributionteam.com](http://www.thedistributionteam.com)