

# RETAIL PEOPLE: AREA MANAGEMENT

## The cost of poor performance at branch manager level

Measuring branch manager effectiveness purely on sales results can be misleading - poor sales don't always indicate poor management, good sales don't always indicate good management. It is clear, however, that poor management within a poorly performing team causes lost sales, whereas good management and a highly performing team maximises sales opportunities. In a recent survey conducted by area manager training and development specialists **OutlookRetail**, 100 retail area managers assessed the competence of their branch managers and were asked for their views on the cost of poor performance at branch manager level. The results of the survey are disturbing. **Anthony Dance from OutlookRetail explains:**

**R**etail executives often feel their Operations functions do not tackle branch manager performance issues appropriately or expediently, causing considerable sales losses to the organisation. Poor performance at branch manager level is also of concern to senior operations management, because it is an indication of Retail Operations effectiveness, leadership, and perception of credibility. Dealing with any type of performance issue can be difficult, but when you are dealing with a poorly performing branch manager, and doing so *at a distance*, the task is far more challenging - a task that many area managers find impossible to accomplish.

100 area managers; working for 13 different retail organisations, with a collective responsibility of over 1500 high street retail outlets, assessed the competence of their branch managers. The results are shown below.

<b>Number of area managers surveyed:</b>	<b>100</b>
<b>Branch managers assessed</b>	<b>1689</b>
<b>Very competent</b> - Has the potential to progress into area management in the short term	<b>48 (2.8%)</b>
<b>Competent</b> - can do the job with little supervision	<b>811 (45.9%)</b>
<b>Not quite competent</b> – in need of some development but in time will achieve the required level of competence	<b>429 (25.5%)</b>
<b>Not competent at all</b> – in need of a great deal of development to bring them to the required level of competence	<b>214 (13.9%)</b>
<b>Incompetent</b> – no amount of development will bring them to the required level of competence	<b>187 (11.8%)</b>

If the results of this survey are applicable to the high street in general, then the retail industry has a real challenge surviving and thriving in the oncoming exceptionally difficult trading environment.

### **T**he cost in lost sales and lost profit?

The amount of lost sales resulting from poorly performing managers is a regular discussion topic at executive meetings. Operations executives estimate between 15% and 30% lost sales annually. The average, calculated from the area managers who contributed to the survey, is **22%**.

*“Seriously poorly -performing branch managers are causing retail businesses 15% to 25% lost sales and between 10% and 13% lost profit each year”*

With regard to costs, the general opinion was that poorly performing managers will cost between 15% and 20% more, due to staff turnover, sickness and absenteeism, and poor planning/productivity, than those who are competent. The effect on bottom line profit or loss resulting from lost sales and increased costs was estimated to be between 10% and 15%.

**W**hy are there so many seriously poorly performing branch managers? The general opinion of the area managers surveyed is that **expedient recruitment** is a major factor. Most area managers admitted to recruiting the ‘best of a bad lot’ when selecting managers. Other factors include:

- Managers going **off the boil**
- The demands of the job rise **above the competence** of the manager
- Insufficient **self-development** of the manager.

### **Why don't area managers just replace them with better managers?**

All area managers agreed that addressing branch manager poor performance was the most difficult part of their job, and felt those who were supposed to be supporting or advising them did not understand the complexity of the problem. Many felt that they would

only find managers of the same calibre and, as there were no budgets for succession planning (managers in waiting), the costs would far outweigh the benefits. 50% of the area managers surveyed had bad experiences when they tried to address a poorly performing manager. All had experienced grievances, threats of grievances, or stress claims. When this occurred, most had experienced hostility and criticism from their executives and support services for the inconvenience, disruption and risk they had caused to the business. Nearly all area managers believed that resolving poor performance issues to a standard where grievances and stress cases didn't happen was an impossible task, so tolerating poor performance was a much easier option. Many area managers used the expression ‘not worth the hassle’.

*“Area managers feel thwarted, rather than supported, when dealing with a poorly performing branch manager”*

**W**hat can be done? Where does an organisation start? **Firstly:** Put poor performance on the corporate agenda. Set corporate objectives regarding performance expectations; have poor performance procedures for managers to work to, have them outlined in employee handbooks and invest in succession planning. **Secondly:** Give area managers effective performance management tools and teach and train them to use them effectively. **Finally:** Accept that grievances, stress claims and tribunals are par for the course and start encouraging area managers rather than discouraging them. Retail organisations invest considerably in bringing in new business but invest very little in the areas that lose business. Addressing poor performance at branch manager level is well worth the investment. It could make the difference between surviving and thriving.

**Anthony Dance is managing director of OutlookRetail Management Development. For more information on this survey he can be contacted through [www.outlookretail.com](http://www.outlookretail.com)**

### Case Study - Good sales, good manager?

Manager D. was certainly a poorly performing branch manager. Operating standards at the branch were mediocre, his team was negative and de-motivated, good customer service was non-existent and he was very negative towards any level of authority. manager D. spent far too much time in his office, leaving his deputy manager to run the branch. His current deputy is the third in the past four years. Previous deputy managers left because manager D. used and mistreated them. What complicated the situation was that manager D's branch was in a good growth area and, because of this, the branch normally achieved its sales targets, but all who knew manager D. would say:

*“Sales were achieved despite him rather than because of him.”*

Area manager M. was newly appointed and set about addressing manager D's poor performance. Area manager M. had neither experience nor training in tackling an under-performing manager, but proceeded because he felt it was his duty.

Within twelve weeks of area manager M. taking over the branch, manager D. filed a grievance for bullying. Branch manager D's case was that area manager M. had no right to pressurise him because his branch always hit its sales target. To calm the situation, branch manager D. was given the benefit of the doubt and area manager M. had the branch taken away. Area manager M. received a reprimand from his executive and his senior manager because he did not handle the matter correctly.

Six months later, due to a change in personal circumstances, manager D. left the organisation. This was a good opportunity to appoint a more committed manager and maximise the full sales potential of the branch.

Manager E. was a good manager and immediately implemented plans to improve the branch and its staff's performance. It took six months to complete the improvements and, subsequently, sales at the branch improved.

In the first full year under manager E's leadership, sales at the branch **increased by 23%** over the previous year (the company average was 5%) and **its profit contribution increased by 13%**.

32 branch managers (23%) in this organisation were viewed as seriously poorly performing. **Improving or removing** these managers would bring in additional net profit in excess of **£500,000** each year.