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Raising the Bar throughout Retail Operations

Retail Operations Management

Raising the Bar

How much will your underperforming branch managers cost you again this year?

Anthony Dance
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Raising the Bar Report
Executive Summary

Case Study - Good Sales, Good Manager?

Tom was a poor 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. He 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 Tom used and mistreated them. What complicated the situation was that the branch was in a good growth area and, because of this, the branch normally achieved its sales targets, but all who knew Tom said:

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

Dick was a newly appointed area manager and set about addressing Tom's poor performance. Dick had neither experience nor training in tackling an under-performing manager, but proceeded because he felt it was his duty to do so. Within twelve weeks of Dick's arrival, Tom filed a grievance for bullying. His case was that Dick had no right to pressurise him because his branch always hit its sales target. To calm the situation and to appease him, Tom was given the benefit of the doubt and the branch was given to a different area manager. Dick also 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, Tom left the organisation. This was a good opportunity to appoint a more committed manager and maximise the full sales potential of the branch.

Harry 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 Harry'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 poor performing. **Improving or removing** these managers would bring in additional net profit in excess of **£500,000** each year.

Branch Manager Competence - Survey Results

Number of area managers involved in survey and analysis:	100
Branch managers assessed	1689
Very competent - Has the potential to progress into area management in the short term	48 (2.8%)
Competent - Does the job with little supervision	811 (45.9%)
Not quite competent - In need of some development, but, in time, will achieve the required competency level	429 (25.5%)
Major lack of competence -In need of a great deal of development to reach to the required level of competence	214 (13.9%)
Incompetent - No amount of development will bring them to the required level of competence	187 (11.8%)

Foreword

Having a competent manager in every branch' must be the main objective for every retail organisation in 2010

The future success and possible survival of a retail business depends on the performance and effectiveness of branch managers within the organisation, therefore **'having a competent manager in every branch'** must be the main objective for every retail organisation in 2010.

Considering this critical objective, **OutlookRetail**, in collaboration with 100 retail area managers, conducted a competence assessment on over 1600 branch managers across a wide range of retail sectors.

With almost 50 per cent of branch managers viewed as operating below the required level of competence (of which half were considered seriously incompetent within the branch manager role), British retailers face a major challenge if they are to survive and thrive in 2010.

The results and analysis of the audit are not comfortable reading for retail executives, senior operations managers, area managers and support functions. Its purpose, however, is not to offend, but to provoke thoughts, stimulate discussion, and to be considered when developing an area manager development strategy.

We give thanks to the area managers who contributed to the survey and for their frankness and honesty during the analysis of the results.

Anthony Dance
OutlookRetail

About Anthony Dance:

Anthony Dance is managing director of **Outlook Retail Management Development**, a performance management organisation that specialises in training and development programmes for area managers within the retail industry.

Anthony is a former operations director and has held branch, area and regional management positions within a variety of organisations.

To date Anthony has worked with over 50 retail organisations and has personally trained and coached over 300 area managers.

An underperforming manager will cost a business over 13% on bottom line profit each year.

Good managers – ‘good’ employees stay, ‘not so good’ employees improve or leave.

Poor Managers – ‘good’ employees leave, ‘not so good’ employees stay and probably get worse.

50% of retail branch managers are currently performing below the required level of competence. Many of these underperforming managers are running high volume/high profit branches.

Expedient recruitment, too much reliance on self-development and lack of succession planning are major factors.

Executive Summary

Summary of key findings

1. How much do they cost us each year?

- An underperforming manager loses over 20% of sales each year.
- An underperforming manager incurs 15% to 20% more costs than a competent manager.
- Combining lost sales and increased costs, an underperforming manager will cost a retail business at least 13% on the bottom line each year.
- An underperforming manager loses good staff members and keeps the bad ones whereas a good performing manager keeps good staff members and loses the bad ones.

2. How many underperforming managers do we have?

- 50% of branch managers are currently performing below the required level of competence.
- 12% of retail branches are managed by seriously incompetent managers.
- A further 13% of retail branch managers require a great deal of development.
- Nearly half the branch managers viewed as incompetent are managing high volume/profit branches and have been doing so for a long time.
- Succession planning is poor - only 2% of the managers assessed were considered to have short-term area management potential.

3. Why do we have so many underperforming branch managers?

- Expedient recruitment – ineffective succession planning and the requirement to fill the position quickly has often resulted in a ‘taking the best of a bad lot’ situation.
- The demands of the manager job have outgrown the capability of the manager.
- Lack of the right management development support, too much emphasis has been put on self development.
- Lack of the right performance management action when poor performance is identified.

Area managers feel they are being discouraged rather than encouraged to address poor performance at branch manager level.

4. Why don't area managers just get rid of them?

- Complicated – knowing a manager is a poor performer and proving it is not easy as there few effective processes that can fairly and objectively assess manager effectiveness.
- Many area managers feel if they got rid of an underperforming manager they would only be able to recruit similar un-skilled/incapable managers.
- Ineffective performance management tools – undefined performance management procedures for area managers to work to.
- Lack of performance management training at area management level. Area managers do not actually know what to do.
- Discouraged rather than encouraged - the threat of grievances and not being supported by the organisation is a major factor.

5. What can be done to either improve or remove them?

Putting poor performance on the corporate agenda will give all managers direction and confidence. This in itself will raise the bar throughout an organisation and reduce occurrences of grievance and appeal.

- Put performance management on the corporate agenda. This in itself will raise the bar throughout the organisation and reduce grievance claims when poor performance is addressed.
- Put poor performance procedures in the company handbook and have clear 'managing poor performance' procedures for all managers to work within.
- Review all performance management tools and processes. If you are suffering poor performance they are probably not working.
- Train all area managers in 'manager' performance management. One poor performing branch manager improved or removed will recoup the investment in their training.

Conclusion

Branch manager performance has always been of concern to executives and area managers but, due to favorable trading conditions in the past, the priority for addressing poor manager performance has always been low on the corporate agenda and in the minds of the senior retail operations team.

With the current exceptionally difficult trading conditions, it is essential that manager poor performance is moved to the top of the corporate agenda if a retail organisation is going to survive and thrive.