



The Distribution Team

We wrote THE BOOK on Distribution Inventory Management

Developing a Culture of Change

By Jason Bader, The Distribution Team

Does anyone remember when the move to a paperless warehouse was sweeping through the wholesale distribution industry? I am sure that it started when we were following the Total Quality Management gurus of the 80s, and then was punctuated during the technology-driven 90s. Here we are at the end of the first decade in the 21st century and distributors are still churning out paper like their lives depended on it. This isn't the worst news for my friends in the paper distribution industry, but it sure puts a burr in the saddle of the conservation movement.

Having spent a vast majority of my career in and around distribution warehouses, I realize that many of our processes still require a significant amount of printed confirmation. Whether we are printing pick tickets, receiving documents or packing slips, the need for tangible proof of a transaction is still culturally ingrained in our industry.

The fact of the matter is, we like confirmations that we can see, touch and file. Technological confirmations, such as accepting that the number of 1/2" copper elbows shown on the screen of our fancy computer screen matches the number of 1/2" copper elbows on our shelf, seem to make most of us rather uncomfortable. This is especially the case when a customer asks to purchase a unit quantity that is dangerously close to the amount of inventory the computer screen says we have on the shelf. For many of us, believing that number is an act of faith we are unwilling to engage in.

It is this historic lack of faith in electronic solutions that make us culturally challenged when it comes to distribution technology. I have seen many of these installations fail because the organization was unable to get an acceptable level of buy in from the people most affected by the change. Cramming a solution down employees' throats is not the best method to gain their confidence and enthusiasm. Buy in comes from an organizational culture that embraces change. Cultural change begins with an open and respectful environment.

Wholesale distribution is predominantly made up of multi-generation family owned businesses. This type of atmosphere is often resistant to change, as employees tend to have very long tenures with the organization and are used to doing things the way they've always done things. They may be reluctant to follow the next generation into a new wave of technology that will ultimately make the company more efficient. Fear of being replaced by technology — or replaced because they can't adapt to it — often weighs heavy on these individuals. Leaders must be aware of this possibility and deal with the situation respectfully. It is not just respect from the individual you are trying to cultivate, but the respect of the entire team. Your actions toward a long-time employee will influence — either in a positive or negative light — the entire employee base. Several years ago, I witnessed the poor handling of a long-term employee. The leader simply did not know how to handle the situation respectfully, and ultimately generated resentment

throughout the entire organization. Technology projects can easily set up the leader for this type of trap.

I am always amazed that more distributors don't share basic financial information with their employees. How do we expect people to help us reduce expenses if they don't know where we stand? Teaching the people who work with and for us about the benefits of improved net profit is one of my favorite ways to build company unity. Trying to motivate operational employees to perform better, when there is no real measurement device, is an exercise in frustration. What are we so afraid of? What negative consequences could really happen if we showed our employees a basic income statement for a branch location — or the company as a whole? By basic, I am referring to these components:

- Gross sales
- Cost of goods sold
- Gross profit
- Five or six general categories of operating expense
- Net profit.

I am often amazed at the level of fear associated with having our numbers fall into enemy hands. Exactly what are they going to do with the information? The reason customers do business with us — and that we enjoy a modest amount of success — has more to do with our customer service policies than with our financials. Could your competitors figure out how you do what you do from a simple income statement? Even if you drew them a roadmap, could they duplicate your success? I doubt it.

The key to distribution success, as with all business, is the ability to put points on the bottom line. Now this may border on the understatement of the year, but it provides a reasonable segue into the next part of the discussion. When you give the team that will ultimately determine the success or failure of your technology endeavor access to the big picture, you will begin to change the culture. You need to share with them how the proposed solution affects net profit. And, ultimately, how net profit affects the individual user. When your team can draw this correlation, you'll get buy in.

When developing a culture of change, we need to define the boundaries. There is a difference between the leading edge and the bleeding edge. Too many overzealous leaders push their entities beyond the needs of the company and spend money foolishly. To avoid going too far, goals need to be established. Ask yourself:

- What business purpose does the investment serve?
- Will this ultimately provide better customer service?
- Higher net profit?

If we can't define the benefit of the project or the technological advantage, we would be best served to back off and rethink our strategies. Technology salespeople are notorious for over-selling solutions.

Conversely, don't wait for the perfect solution before you get in the game. Take a look at the advances in business computers. Many owners are baffled by the endless offerings. The fear of an investment becoming obsolete in the next six months forces many to stay on the sidelines waiting for the perfect solution to arrive. A friend of mine draws an analogy to someone waiting

at the bus stop for an express bus. Several busses come and go, but the person still waits for the express. Ultimately, the express shows up long after the destination could have reached by simply getting on an earlier bus. With technology, eventually you have to hop on board. It may not be the perfect solution, but you will be further down the road than you were when you started.

Back in the late 80s, I was running local pick ups and deliveries for a small distribution company. I would often stop at this little wholesaler and pick up odd items to fulfill customer service requests. The company was run by a pair of elderly brothers who had basically done business the same way for 40 years. It was not uncommon for me to wait 20 to 30 minutes to pick up an order. I would often see them out picking orders and handing me items when I came in. They didn't have a computer and everything was done manually. Orders were taken over the phone and written down. A couple of years later, I received a curious fax from this company – "PEOPLES SUPPLY NOW HAS A FAX!!" This was the early 90s, mind you. They were a little late to the dance. Shortly thereafter, the company had to close up shop because their competitors made it easier for customers to do business. Don't be the last one to get on board.

Technology is only one area where change can become uncomfortable. It can occur in all aspects of the business. Whether you are embarking on your first branch experience or simply changing the way that vacation time is accrued, investing your time in developing a culture of change will pay dividends for many years to come. Good luck.

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