



BEST PRACTICES

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To branch or not to branch

At some point, it seems that every successful owner is eager to branch out. Perhaps the company needs to expand in response to growth, gain a competitive edge or capture and create opportunity.

Opening a branch can reduce travel time and put the crews closer to their customers. It can also be a solution if your company outgrows its main facility.

However, sometimes the reasons aren't so clear.

When contemplating opening an office in a new location, ask yourself:

- › What position does my company hold in my present market?
- › What does the new market look like? Is it wide open?
- › How will I allocate my resources in a new market?
- › How many contracts are lined up to support a new location?
- › Can I financially and opportunistically sustain another office?

Guidelines for getting started:

› Determine start-up costs, review existing financials and lay out a new budgeted income statement for the new branch. Forecast revenue to avoid underestimating cash-flow requirements. Keep fixed costs to a minimum. See how long it will take for the branch to operate cash positive or how long you'll have to underwrite the branch until it's self-sustaining. Do this first.

› Ask yourself "Is it necessary?" Unless your company is operating at a high level, sales growth, profitability, high customer and employee retention, you are probably not ready.

› Before opening in a new market area, do a thorough evaluation of the area you're planning to enter. Cultural nuances differ from community to community. Study your new area prior to committing to it to make sure it's a good fit.

› Ensure you have the technologies needed to share work between locations, good company controls and systems and processes that can be

duplicated in a remote office.

› If your main problem is space or travel time, you probably do not need a full branch, but rather a satellite yard.

› Whether a satellite yard or a branch, you should put a trusted leader from your team in charge of the facility to help maintain your company culture and values and implement your systems. Guaranteeing standardization of your service and culture is one of the most important elements needed to help the new office be successful.

› Determine how the satellite or branch will be supported both administratively and operationally. A satellite may not need administrative support on site but does need support. It also needs a mechanic.

› If you're considering a satellite yard, beware of the duplication of overhead, which can more than offset the cost savings of reduced travel time and other proposed operational efficiencies. Most likely you'll need a specific growth plan to grow the book of business for the new operation.

› The HR component is critical. You most likely will benefit from having employees of the new facility live in close proximity to the new operation. Moving current employees to the new facility is fraught with challenges. Many car pools are upset; some employees can't or won't move. Attracting new hires to the facility will take time and effort, as will interviewing and hiring. Often employees will agree to move and give it a try only to start looking for a new job, so expect some negative surprises.

› If you're the owner, plan to be visible at the new facility, possibly even work there one day per week. This way, you can see how it's working and improve on what's not.

› Have a Plan B. Prepare for the worst. Have an exit strategy in place in case it doesn't work out. Make sure your lease agreements are flexible, and scale back if it's not working or if you lose a key piece of business.

Opening a new office can be promising. The key is to first challenge the plan, then put people in place to make sure it's executed to perfection.