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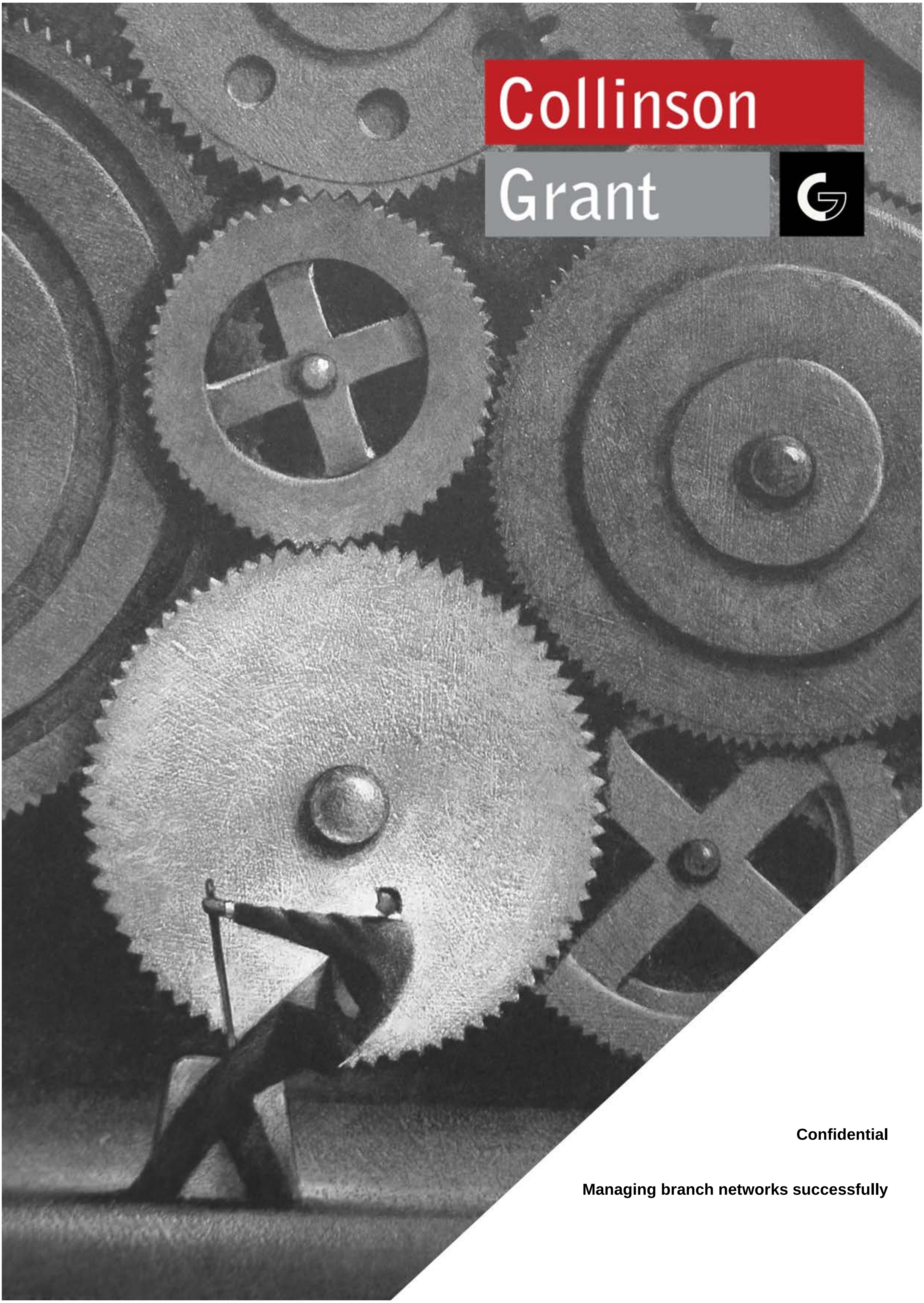

Confidential

Managing branch networks successfully

Contents

1 Introduction

A lot of companies reach their customers and provide their services through a network of local/regional branches. Typically, the branch manager reports to a central head office. This has many advantages: proximity to customers; knowledge of local customs and buying habits; dispersed logistics (sometimes a negative); closer relationships with local suppliers and so on. But such an organisational model demands clarity on a number of important decisions that can either be made locally or centrally.

The managers at the centre and in the branch both need to know where authority and responsibility for enterprise lie, and who is accountable for what. This needs thinking through at a high level. The business model must have a design in which it is clear where decisions are best taken so confusion cannot reign nor mistakes affect profit.

This document sets out some guidelines on accountability and decision taking in all the key areas that can impact on profit: pricing, terms and conditions for trading, procurement and inventory, trading policies; payroll and operating costs; managing employees; and processes and systems.

Broadly there are two types of organisational model for managing a branch networked business. The decision on which to embrace is determined by the overall choice of business model and contextual matters like the scale of operations, which are outside the scope of this book.

Our view is that most businesses ought probably to default to the loose/tight 'devolved' model and its related protocols and structures unless there is positive economic advantage of the type described in the 'centric' alternative. There is one good reason for this that stands out from the others - it seeks to build clear accountability for profit around a manager carefully selected for the entrepreneurial qualities they possess. In short, get the right person and give them as much responsibility that they ought reasonably to be able to handle.

2 The devolved model

Much from this document can be taken as a guideline for what we call the 'loose/tight' model for control – a framework particularly suitable for managing branches. This sets out the wide discretion allowed to branch managers within a tightly targeted and measured accountability to the centre. A regime for loose/tight control will have most or all of the following characteristics:

- A significant degree of devolved decision taking for local managers involving:
  - ➤ light touch supervision from above
  - ➤ longish timescales between being called to account
  - ➤ a limited amount of day-to-day support from the organisation's centre
- Strong and challenging financial and operational objectives set by the centre for the branch and its manager
- A high-level financial measure of performance such as profit or return on capital

In the context of managing a local branch there should be:

- Some authority
  - ➤ in regard to prices and terms for customers

  - to select the products and services offered
  - over the sourcing of products and the purchase prices paid

- An influence on the approved levels of inventory, and the stock turns
- Substantial freedom to pursue business wherever it may be found
- Substantial authority over staffing levels, operating costs and processes and procedures
- Freedom to recruit employees and to discharge or discipline them (within a code of good practice)
- Opportunity to win capital allocations for good business cases.

To make this work a company has to:

- Put considerable effort into and be systematic about recruiting branch managers so that a much higher proportion of appointments are successful than is the norm
- Put considerable time and effort into thorough supervision of financial and operational plans given the relative infrequency with which they will be tested
- Have a clear but firm procedure for holding managers to account
- Have clear and relatively simple measures for assessing performance
- Set challenges based on business result not compliance with process
- Set challenges that stretch managers and annually review where the goal posts are
- Give serious consideration to paying meaningful incentives.

3 The centric model

The preferred loose/tight model for managing branches has a rival that is a consequence of modern data processing, retrieval and storage, and rapid communications. By running mathematical algorithms at the centre to analyse real-time sales and inventory, supermarkets and other retail chains can replace a range of local managerial functions.

These techniques enable small groups of people based centrally to determine and control supply in a way that would have been ill-advised in an earlier age. The model is suitable for FMCG businesses and some others like them where the scale of operations supports investment in a powerful, networked infrastructure and the sophistication of demand and other computerised modelling functions demands that it must be in the hands of specialists at the centre.

The scope of this new centric model affects product selection, procurement, pricing, promotions and all functions facing both customers and suppliers – everything in fact, except those used to manage the local costs and resources for which the branch manager in the centre of the value chain could still retain responsibility.

Other factors tend to support the centric model. The regulatory environment governing employment and work is undermining the autonomy that can be granted to first line managers. The risk of decision taking needs to be spread across more than one level of manager and involve specialists in supporting roles located, inevitably, at the centre. Responsibly, for business support costs like property and utilities are often more easily controlled from the centre, and even locally consumed goods and services may be centrally procured on bulk contracts or outsourced through centrally placed contracts.

4 Pricing

4.1 Authority to set price lists

From the centre

If the list prices available to branch customers are mandated by the centre, and it denies pricing discretion to branch managers, it is able to:

- Be certain that the margins it desires and plans for will (certain other influences apart) be realised
- Discourage customers from shopping around from branch to branch to search for or negotiate a better price
- Dissuade managers from chasing turnover at the expense of margin and profit.

Central authority over price lists tends to imply 'national' list prices, and although it is possible for the centre to set lists differentiated by region, the above three points would more or less still hold good.

At the branch

When branches have authority over their own list prices:

- They can respond flexibly to local competition, for example by making smaller, more frequent adjustments to price than can be done from the centre
- They find it easier to take market share from competitors (when that is the policy).

Shared authority

It is possible to give branches some degree of authority to set list prices tailored to create local competitive advantage, the revenue and margins achieved as a result being captured in the budget. Post budget approval the centre could exercise control over the degree or frequency with which prices might then be modified and the budgetary assumptions changed, but essentially the prices set by the branch manager would be those paid by the customers.

4.2 Authority to set spot prices

Spot prices are off-list prices that can be used to favour some customers for some products, or all customers for some products. Spot prices are likely to be used alongside the list prices to which all prices default if neither customer nor product qualifies for spot.

By their nature spot prices have no longevity and may be associated with a promotion. They can also be invoked for a one-off sale to a single customer. For example, a customer quoting for a large job may wish to quote competitively and ask the branch manager for a spot reduction on the price of a key material so that both branch and customer may profit from their respective sales.

From the centre

The centre may retain authority to authorise spot pricing, so whenever the branch manager believes there is a case they seek authorisation from the centre. This gives the centre an opportunity to recognise and consider the effect of a lower price on that sale on the planned margins and profit.

But an approval process by which the centre exercises total control over all types of spot pricing might be so laborious as to make control an impractical blunt instrument.

At the branch

Branch managers may be given authority to agree on or offer sales at spot prices. Here there can be both risk and opportunity in equal measure, price having the greatest and most direct effect on profit of all the factors of influence. There is a need for keen judgement on the amount of margin to yield, to which customers and on which products. The effects can be mixed.

Spot pricing is a weapon the branch has for getting or keeping some types of sales when it needs to act decisively to exert competitive pressure or defend market share.

However, used too frequently and freely the branch's customers may learn from experience about the branch manager's selling behaviour and may, in effect, be taught how to negotiate prices down. Branch managers known to be spot price 'push-overs' may find turning the situation around and preventing the permanent erosion of margin and profit to be all but impossible.

Shared authority

The centre could ration spot opportunities by giving a standing authorisation for a limited number or value of spot concessions, thus forcing branches to prioritise and use the facility selectively. In this way the centre could retain a measure of control over margins and the branch profit plan by writing into its budget the effect on sales and margin of its preauthorised spot pricing.

Furthermore, such reduced control over margins can be mitigated if the Centre gives branch managers an incentive to meet targets for profits and capital employed that cannot be achieved if spot pricing is used too liberally.

4.3 Authority to discount or rebate prices or give away concessionary value

Discounts are reductions applied to the list prices of selected products, or to groups of them. Their availability is advertised to all customers or, in some cases, to pre-qualifying customers (for example those having earned vouchers) or selected purchases (like buy one, get one free - BOGOF).

Rebates are reductions applied, not to the product but to a customer's expenditure, often on all of it but sometimes excluding certain types of products or expenditure. Exclusions normally include sales where another offer like BOGOF has already been taken. Reductions are usually conditional, commonly on the customer's exceeding certain volumes or values of expenditure, on any occasion, or over a period.

Concessionary value is a non-cash benefit, say free delivery for qualifying customers such as 'big' customers, or for qualifying purchases where expenditure is more than a certain value.

From the centre

Authority to modify prices in these ways can be kept at the centre in the same way, and for the same reasons, as for list prices and spot pricing.

Discount offers can be planned as schemes by managers at the centre, by general sales managers or marketeers, and implemented over the heads of branch managers. Branches' participation could be by a choice to opt in or opt out, but which might be compulsory.

At the branch

The options for branches to promote the sales of some products to all customers, or of all products to some customers, follow the same logic and have the same effects as those described for spot pricing.

Where this authority exists at branch level, it is the primary tool available to the manager to generate sales, grow the branch, win share and broaden the customer base.

Shared authority

It is common to find situations where absolute authority does not and need not exist at either branch or centre. A broad platform for promotion is created by the branch, submitted to and authorised by the centre. This will include competitive pricing operated with freedom by the branch but within the envelope of an approved plan, the financial effects of which may have been bought off at the centre through the budget approval process and monitored through the period accounts.

5 Terms and conditions

5.1 The authority to set terms for trading and credit

From the centre

Terms and conditions are normally set at the company's centre because the specialised legal knowledge required to do so is only likely to be available there. Control from the centre of the terms and condition':

- Ensures that the content is professionally written, and so legally watertight and tested
- Prevents both branches and their customers from wittingly or unwittingly undermining the company's rights, the most important of which are to be paid, and to reject liability where appropriate
- Ensures universal and consistent application of terms and conditions throughout the branch network, so preventing erosion of the company's policies and making compliance easier to monitor
- Makes the planning of cash flow more predictable by instituting universally applied standard credit terms (for example 60 days), and thus improving liquidity.

At the branch

Setting terms and conditions at branches:

- Avoids excessively legalistic terms and conditions set by lawyers at the centre that may be too restrictive or complex for some customers to swallow, with the possible result that the branch becomes an unattractive trading partner
- May be informed by a clearer insight into what terms are appropriate for the local trade
- May provide a better-informed appreciation of the real risks, including credit risks, from which the company needs to be protected.

Shared authority

It is always open to the branch to seek approval from the centre for unique terms for special customers.

5.2 Authority to grant credit to customers

The process of granting credit to a customer may be formal or informal, lengthy or short, and done at the branch or the centre. Companies are inherently vulnerable on this. Accountability for granting credit is either vested in a person such as the branch manager or in a protocol designed and approved at a high (therefore central) location and could be operated either from the branch or at the centre.

From the centre

The centre is better able to:

- Design a secure and consistent process of credit checking
- Operate any formal process with economies of scale giving a lower cost per application
- Cover more professionally the legal aspects designed into a system and its operation, for example, the process for collection of overdue debts
- Operate credit checks dispassionately and thus objectively
- Put customers on ‘stop’ dispassionately and objectively.

The benefits of which are:

- Better quality assumptions when planning cash flow, with more reliability in getting money in
- Centrally coordinated information about the total credit taken by customers buying from a variety of branches.

All of which should lead to fewer defaults and firmer control over cash.

At the branch

- Cheaper, quicker decisions that are less encumbered by bureaucracy may stimulate sales
- Applying local knowledge can actually lead to more informed decisions about credit worthiness and less risk
- The branch may be able to classify customers with more precision than the Centre can, for example by classes such as : no credit, 21 days, 45 days, et cetera where standard terms are 30 days – a more diverse but structured classification into which it ‘slots’ each customer
- Procurement and inventory.

5.3 Authority to select product range

A company’s products and their ranges define a large part of its business model. Most companies are associated with and create a brand around the customers’ perception of what they sell or do.

This is an issue that concerns the most senior managers and is therefore associated with the centre, but the centre cannot be omniscient. It is the branches that operate on the front line, where there is much to learn about customers' wants from the customers themselves.

From the centre

Restricting branches to ordering and stocking from a product range mandated from the centre

- Ensures that the benefits of comprehensive, expert and probably expensive research reach every part of the branch network
- Can cross reference procurement and sales across the widest canvas possible
- Uses to the maximum the buying power of the whole organisation
- Creates a strong bond between the brand and the range by offering consistency in customers' expectations and experiences
- Allows branches' performances to be compared like for like (because all are selling same range there is less of a variation in the mix of products)
- Permits sales performance to inform the selection of product ranges for the whole branch network.

At the branch

Problems can arise if the branch has complete authority to stock the range of products, because the unique character of the range could cause:

- Customers to be confused to find a mix of products that fails to promote convincingly the company's main strengths
- Customers to be confused if the differences in inventory between branches is too great
- A gap to appear between the branch's offering and the company's brand that may dilute customers' perceptions of what is on offer and so sub-optimise sales
- The value of the company's brand ultimately to disappear if the branch does not behave as a part of a network
- Dangers of abuses involving branch managers, with suppliers and customers, that the centre could find difficult to recognise, correct and control.

Conversely, if the branch has no say in the choice of products, important potential benefits are lost. Branches:

- May have a better ear for what (their) customers want than the Centre can have
- Can move more quickly than the Centre to meet new demands
- Can be a source of information (particularly if many branches speak with a single voice) about the need to shift the core product range in a new direction as customers' tastes change.

Shared authority

Branch managers always inherit a core range, either formally and precisely defined or at least in the form of some understanding about the 'business the company is in'. So, it would be unusual for them to want to move away from the perceived core.

However, if the centre has no capacity for accepting feedback from branches, it cuts off the best channel of information about customers' wants and may lose competitive advantage. So, the branch may be entrusted with the authority to select non-core product ranges to search for a more exact match between its inventory and what the local market wants.

5.4 Authority to select suppliers

Selecting the product range is a different task to selecting the suppliers of the products. A given range may present many options for choosing suppliers, while at the same time some products remain unique to some suppliers.

From the centre

If all suppliers are selected by the centre, several of the same effects are felt, as already been described when products are selected. For example, it:

- Ensures that the benefits of comprehensive, expert and probably expensive research on value for money and strategic procurement reach every part of the branch network
- Can integrate procurement with sales on the widest canvas possible
- Maximises the buying power of the whole organisation
- Allows branches' performances to be compared like for like (as all like products are bought at the same price, the mix of products varies less)

In addition:

- It is possible for the company to exercise absolute control over prices and terms by using a single negotiating platform
- Earnings from purchase rebates and discounts can be retained at the centre and not subjugated to the result of mis-matched sales or procurement by branches
- The effectiveness of the centre's procurement team can be measured in the purchase rebates and discounts obtained
- The centre has the resources to investigate the origins of supplies and can check that their provenance complies with regulation on quality, safety, environment et cetera
- The company can use objective criteria to rationalise the number of suppliers and the supply chain.

At the branch

- For some products, the branch may have a more intimate knowledge of sources of supply, particularly if these are local
- Local supply arranged by the branch may be cheaper to deliver
- Procurement by the branch may be informal and done with little expense by the branch manager or staff within the time available from their normal duties.

However, generally the low-volume purchases at a branch will have a higher unit price. The informality of the process for branch-level procurement may be unsafe, or lacking advantage in a number of ways – shorter credit terms, less watertight guarantees, poorer security of supply, et cetera.

Shared authority

The centre ought to be able to distinguish and measure the overall benefit between choosing suppliers for core and non-core products by branches and the centre itself.

5.5 Authority to negotiate discounts on purchasing, rebates, concessionary value, terms, conditions and credit from suppliers

From the centre

The centre represents the purchasing power of the company and its weight affects the advantage to be won for procurement in its wider senses – of product range and from selection of suppliers.

At the branch

A branch can take a more forensic view of opportunities for value, being more selective in claiming some of these concessions from some of its suppliers on some of its higher selling products.

Shared authority

The authority to negotiate need not be the exclusive property of the centre or the branch, but for the branches to continue to negotiate after the centre has already won some concessions would probably require sanction at the centre. Without this, branches may negotiate in vain. The centre can put suppliers on notice that branches may come and 'ask for more'.

5.6 Authority to decide the volume and value of stock to hold

In managing inventory, the organisation attempts to optimise two conflicting variables:

- The availability of stock in relation to the demand
- The value of capital invested in inventory compared with desirable financial and operational targets for business performance like stock-turn.

At one time it was a major function of the branch to reorder and so maintain the availability of products without which sales would atrophy and profits evaporate. Now, given an investment in re-ordering systems branches can be restocked on a push system in which information about sales is transmitted daily (or with even greater frequency) from tills directly to computer systems operated at the centre.

Re-ordering can be triggered automatically by systems from either the branches or the centre. The other option is manual or near manual re-ordering done locally, in which case managing of demand signals and managing working capital are functionally separate, laborious and iterative.

From the centre

- Central systems optimise inventory if there is great system design – one that binds in all material data such as seasonality, flexibility to respond to weather, transport logistics, suppliers' lead times et cetera (as in the chain store retail sector)
- Sophisticated programs can balance re-ordering parameters and the 'open to buy' control of working capital in a way that traditional branch-based manual or computer-assisted, semi-automatic methods cannot)
- Stock turn can closely reflect the short-term patterns of sales

- Cash flow can exactly reflect sales

- Involuntary stock-outs become rare, being always automatically controlled by the system to stay within working capital limits, or when down are confined to endemic risks associated with suppliers, logistics and other external contingency.

Central control over re-ordering without computerised system support (as in the past) is problematic and to be avoided.

At the branch

What happens at the branch depends very much on the business model and operational context. Factors influencing inventory include:

- The number of stock-keeping units (SKUs) to be reordered, and the degree to which simple Kanban systems can be applied, (that is to say the size of the manual task of inventory control)

- The suppliers' lead times (criticality of re-ordering windows)

- The overhead cost affordable to pay those staff dedicated to inventory management

- The capital available for investment in system support

- Whether local knowledge on patterns of demand supports reordering decisions better than knowledge the held at the centre could do.

5.7 The authority to write stock down

The write-down of stock has a big effect on key financial measures of performance.

From the centre

- Writing down stock (or avoiding doing so) is a major field of error and malpractice by profit centre (branch) managers

- Independent judgement by disinterested professionals can be critical to arriving at the true and fair view, and this is more likely to be found at the centre

- Arm's-length judgements from the centre are likely to be more conservative and therefore safer.

However, there is a significant cost if all branches are audited for stock write-down, at arm's length, every year.

At the branch

- Local knowledge of demand may give effect to better judgements about slow moving stock

- Incentives or penalties can be invoked to encourage true and fair local decisions on write-down.

6 Trading outreach

6.1 Authority to set customer catchment areas for branch trading

From the centre

If the centre designs the geographic perimeter that prescribes the trading area allocated to the branch, then:

- The Centre is well placed to take a view of the optimum density of the branch network, including the number of branches and the estimated turnover and customer numbers for each
- This creates an orderly network in which the number of branch units is not excessive in relation to sales and margin, and it is possible to keep to a minimum the need for branches to make incursions outside their allotments
- Branch managers can be directed to focus marketing and sales on their given territory and not dissipate effort on peripheral business
- Customers are given no encouragement to shop around between branches and to undermine branch margins by seeking better and better deals.

At the branch

It is also feasible to take a more organic approach to the formation of branches that fits with the natural behaviours of branch managers and customers.

- Natural catchments are always, to some extent, subject to the way customers gravitate to branches – something that cannot always be anticipated and planned and which does not necessarily reflect the obvious geography.
- Too tight a definition of boundaries may be pointless – the exact location of branch premises and access to them is likely to cause customers to ignore the designated boundary between branch sales territories whoever they are set by.
- Branch managers are rarely in favour of creating a line except in circumstances where they are losing customers to a more successful branch.
- Customers cannot be refused if they beat a path to the door of a branch outside their area, because the alternative to the sales opportunity for that branch may that of a competitor - the customer has the right to choose.
- Branch managers with a talent for competitive selling should be allowed to exercise it freely in a spirit of encouraging enterprise.

7 Payroll and other variable operating costs

7.1 The authority to decide fixed or variable costs such as permitted numbers of staff

The number of staff is a significant, locally variable operating cost and a driver of other direct and indirect costs.

From the centre

- The centre has options in which it can either seek control over

  - each element of branch cost such as payroll, or
  - only over the total branch cost.

- In either case (elements of cost, or the total cost) these can be controlled, by the centre (or locally), as a fixed sum or as a sum flexed against an appropriate variable. For example, the size of the staff may be controlled as a variable of productivity - sales per employee, transactions per hour worked, or £ margin per £ payroll.

- Alternatively, the centre may confine its authority to approving budgeted headcount and/or fixed payroll because it requires certainty about the cost as well as having a solid basis for comparison of the key operating costs by branch and around the network.

- A monthly reporting process may operate from the centre that will show the actual and budgeted manpower and cost associated with it.

- However, the centre may require no control over costs at all, confining its control to some higher-order financial measures like profit and financial returns, and possibly some measures of trading health like new customers won.

At the branch

- The centre can be over-prescriptive, removing scope for branch initiatives to respond flexibly to changing circumstances.

- Staff, payroll, and productivity can be matters solely for the discretion of branch managers who need to exercise their own local controls in order to achieve the higher orders of financial performance that should be required from them.

- Thus, reporting from the branch could be skeletal, confined say, to indicatives of financial health – sales, margin and profit, the analysis of numbers ‘in-between’ being assumed.

- This saves cost and time for reporting and debate.

- The risk is increased of misrepresentation and disguised under-performance that it would be better to detect as early as possible.

8 Managing employees

8.1 The authority to set rates of pay and assign jobs to a structure of grades

From the centre

- Human Resources (HR) professionals at the centre are qualified to create robust structures for grades and pay rates based on job content and evaluated differentials.

- The centre has the knowledge and opportunity to research and set rates of pay nationally, or regionally where appropriate, but is unlikely to be able to discover for itself local market rates branch by branch.

- Uniform company structures inform branch managers how to organise the staff, functions and tasks.

- Employees moving between branches can do so without causing problems in employee relations more easily where common pay structures exist within a branch network.

- Functions like HR at the centre are a significant overhead cost in many companies.

At the branch

- Local labour markets are best understood at branch level.

- Branch managers can decide to recruit into grades and pay with freedom, in accordance with their own direct responsibility for results.

- By their nature branches are usually self-contained, branch managers being able to judge the most economic balance between the efforts given by personnel and the rewards paid to them, usually without the company running an excessive risk.

8.2 Authority to hire, fire and discipline employees

From the centre

- The competence of the HR professionals at the centre can be relied on to make good final decisions on all matters of managing personnel at these three (hire, fire and discipline) critical events, and in consequence the company's processes should be constructed around that function.

- Conversely, usually branch managers lack HR skills and knowledge, exposing the company to greater, avoidable risk.

- The making of all key HR decisions at the centre, or their being approved by the centre, prevents branch managers from making serious errors in law and practice.

- However, too many decisions about local issues made remotely at the centre can undermine the authority of the branch manager.

At the branch

- Branch managers understand the local context and can make practical, expedient HR decisions accordingly.

- HR decisions made locally can also be made quickly, which is usually best for everyone.

- Branch managers often have only a few employees reporting to them, have probably hired them and know them personally, and if they have devolved accountability for performance, HR decisions are usually handled sensibly.

- If decisions by too many of its branch managers tend to be poor, this may infect the company corporately in, for example, its reputation as an employer and its financial liabilities.

Shared authority

- In practice, a scale of gravity applies case by case to all problems in employee relations and determines the level at which they should be dealt with.

- Managerial training approved or specified at the centre would usually be needed to make branch managers self-reliant and autonomous decision takers.

9 Processes and systems

9.1 Authority to design or specify operating practices

From the centre

The centre may choose to design and define processes, procedures and practices that are mandatory at the branch. These fall into two categories.

First, there are those whose purpose is to regulate the connections between the centre and the branch, for example the regular reporting flows in which the form and content are prescribed to make assimilation, consolidation and inter-branch comparison easier.

Secondly, there are those practices done wholly within the branch, such as recording staff sickness, or disposal of waste materials and countless others. For example, the centre may prescribe that all employees clock in. It may direct that waste be recycled in a certain way. It may wish to direct how an insurance claim is made in order to disseminate throughout the network the most efficient or fool proof method. Or it may choose to leave how these are dealt with at the discretion of the branch.

To do these things, the centre may issue Standard Practice Instructions (SPIs) to branch managers, and require the whole network to comply as directed.

- Prescribing process and practice at branches from the centre comes at a cost, because it consumes time and effort in both places: enforcement, if taken seriously, also comes with a cost.
- Often the cost is less than the consequences of not doing so, and that is particularly so for:
  - financial recording for audit and business reporting
  - activity that imposes on the centre a regulatory requirement carrying a risk that the centre needs to mitigate
  - activity in which errors, omissions and poor practice at a local level can result in corporate liability or dispute, and the aim is to mitigate the risk.

At the branch

- Branches are an integral part of the company in a way that an operating subsidiary is not. For this reason, branch managers should be expected to comply with SPIs or the equivalent and accept the support they afford in the interests of efficiency and effectiveness both at the centre and at the branch.
- However, the centre has the option to give the lightest possible touch to how branches conduct themselves, particularly when branches are measured against high-level financial objectives.
- If confidence is high, it pre-supposes that risk is being managed and that the costs associated with managing from the centre can be reduced.

10 Capital

10.1 The authority to allocate and spend

From the centre

- Access to capital is always conditional, and it is the centre that defines the conditions.
- Access can be planned, provided for in the budgeted year, arranged in an emergency or made available for an opportunity.
- Capital would normally be allocated on application supported by a business case prepared by the branch.
- The centre is able to make judgements about need or opportunity from a comparative standpoint and can allocate scarce capital around its branch network according to the best returns promised.
- Conventional control of this type can only be operated from the centre.

At the branch

- Branches hardly ever hold capital sums: it is the role of the centre to raise it and make it available where it will productively feed the business.
- Profitable branches may generate free cash and can be incentivised by the right to apply for and use some of it.
- The case for capital expenditure is often associated with local enterprise, so an excessively tight central control over capital could stunt initiative and enterprise.

Capital requirements at the local level are often for relatively small sums needed quickly, so a long vetting process at the centre may snuff out opportunity.

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