

Your Inventory Manager and Finding the Perfect Fit

Doctor and staff compensation is the biggest expense in a veterinary hospital. The second largest expense is Cost of Professional Services or COPS. COPS are made up of the products and supplies in inventory. Industry benchmarks indicate that these costs represent approximately 20% of a veterinary hospital's gross income. Did you realize the person in charge of ordering the inventory for a practice generating \$2.0 million in sales is responsible for spending \$400,000 annually! That is a considerable responsibility.

Now think of who is in charge of inventory in your practice and how they were selected. Are they well suited for the job and the level of responsibility that comes with it? Given the high level of responsibility, it is surprising how little thought many practices give to placing employees in positions where they can be really successful. Unfortunately, many inventory managers were selected by default, often when the previous inventory manager left and often times without a lot of thought about whether the person has the right aptitude for the job.

Many times, the assigned inventory manager will rise to the challenge, eagerly learning about economic reorder quantities, the best place to look for hard to find products, and how to have the right products on hand at the right time and in the right quantity. That is the best possible outcome. The hospital is functioning well and able to work toward goals such as lowering total COPS as a percent of gross fees in order to increase profitability.

Unfortunately, the best possible outcome is not always the most likely outcome. Often hospitals take terrific veterinary nurses and put them in charge of inventory without considering whether those terrific nursing skills will also apply to stocking and ordering products. The nurse may be excellent with client education and training, but have absolutely no aptitude or interest in managing products and numbers. If they are not a good fit in this role, the situation is unfortunate for everyone involved. The practice is not reaching its goal, the doctors and staff have to deal with back orders, wrong products and unhappy clients, and the inventory manager is miserable. She feels defeated, disengaged, embarrassed and probably resentful of being given a job she was unable to do and do well.

Veterinary nurses are often selected to manage inventory because they are familiar with the drugs, how and where they are used, with the array of surgical and dental supplies needed, and are familiar with veterinary terminology. However, if you were to come up with the skills needed to be a great inventory manager, none of those would be at the top of the list. That doesn't mean that a nurse wouldn't do a great job with inventory - just make sure the nurse you select has the skills and interest needed to manage it.

So what are the best aptitudes for an inventory manager to possess?

- Strong **organizational skills** are needed to maximize storage space.
- **Facility with numbers** is helpful because inventory managers should follow a spending budget and calculate turnover ratios, among other things.
- Good **communication skills** are needed not only to help the doctors and staff, but also to negotiate with vendors.
- **Problem solving skills** are essential. Your inventory manager knows how to acquire critical products quickly.
- Collaboration is also important in building **relationships with sales representatives and suppliers** so when problems arise, they will be easier to resolve.
- Challenges and roadblocks are part of any job, so the inventory manager must have the **initiative and diligence** to reach resolution.

Another example where the inventory manager must be proactive is when doctors are inconsistent with the products they want to have on hand. Medical decisions must always be made by veterinarians. It is the inventory manager's job to identify possible duplicate products. Does the practice really need to stock 15 different medicated shampoos? Situations like this should be brought to the doctors' attention so they can decide as a group what to keep in stock and what should be offered through the online store or scripted out.

Managing inventory is more than a one-person job. The inventory manager is the point person, but everyone in the hospital has a responsibility to be aware of inventory levels and do their part to ensure that critical drugs and supplies are always in stock. The inventory manager should develop easy methods for employees to indicate items that should be ordered, explain concepts related to rotating inventory, minimizing loss due to expired products and where any overstocked items are stored. Make inventory discussion part of every staff meeting. Talk about items on back order or that are unavailable so everyone knows what to expect.

Because inventory is a huge monetary investment, it is important to include safeguards, or internal controls, to protect the practice from embezzlement. From an internal control perspective, the inventory process must have checks and balances. The inventory manager should place the orders, but someone else should be responsible for checking in the shipments when they arrive and ensuring all items were received. A third person should enter the charges into the accounting system. By separating duties, the opportunity to redirect product is minimized and to catch mistakes. This also helps with cross training and minimizing the risk that the practice ends up in a bind when the inventory manager leaves.

Inventory is a critical system in the veterinary hospital. The inventory manager needs to be someone with the skills and motivation to meet all of the responsibilities of the job. Strong organizational, time management and record-keeping skills are required, as well as the perseverance to handle problems and deliver solutions. When the right person is in this critical position, the COPS will be in the financial sweet spot.