

Making Structure out of Chaos: A Case for Organizational Structure Review

By Jo-Anne Hill, Founder, JH Hospitality Consulting, August 2016

“I have too many people,” a CEO recently said to me. That may sound like a familiar concern, but in 17 years of advising leaders, often it's not the number of employees that's truly the problem. The real issue is figuring out what is the right number of people doing the right activities to make the organization work efficiently. Whether through company expansion or contraction, change in how work gets done, or simply an outdated internal operating system, an effective structure is one of the building blocks to ensure employee and guest satisfaction. It defines who handles what task, the coordination, and accountability, and it can impact the bottom line revenue and profitability.

Impact of a bad structure

Barrett Values Centre found that 27 percent of North American employees identified confusion within their organization as one of the top barriers to getting things done. A weak organizational structure often means too many people involved in certain tasks and not enough in others causing frustrated, unhappy, and disengaged employees, which leads to an increase in employee absenteeism and turnover. Disengaged employees result in low productivity putting revenue and profitability performance at risk. Good.Co reports that those companies with a higher number of disengaged employees recorded a 33 percent decline in operating income.

Gaps in service from lack of timeliness, poor follow-up, or too many people involved in simple transactions also leads to disgruntled clients. But serious flaws in an internal operating system go beyond simply poor service. At the extreme, staff disarray and chaos risks the client going away for good, with negative impressions of the overall brand cemented in the mind of the customer. Ninety-one percent of unhappy customers just don't say anything and never return again.

An inadequate organizational design also interferes with the integration of new technology and complicates the ability of the company to be scalable for future growth opportunities. If an organization is already in disorder, introducing something new is next to impossible.

Rather than implementing a Band-Aid solution such as hiring or firing people, the following are my three steps to eliminate chaos and ensure satisfied employees and customers.

1. Follow the Journey

It starts with a deep dive into the behind-the-scenes operational functionality to understand each customer or activity touch point, possible options, the degree of urgency, and the complexity to complete each activity. A process map follows this journey, charting the people and processes needed to manage each interaction effectively. It means ongoing conversations with staff and, in some cases, willing customers open to giving their insights on how information is managed between the customer and the organization, and how staff executes each task.

At a recent hotel project, one of my clients had as many as five sales touch points a customer might have to either talk to or wait for their decision to get a quote on guestroom availability and rates for a meeting. Multiple people involved meant time lost in getting a quick response to the meeting planner who feels waiting even two hours is too long. Lost business was a problem.

By documenting each step and evaluating the process, we were able to combine many of the steps in the process and reassign one of the teams towards proactive sales efforts. Reporting lines were also adjusted so that all sales people reported to one leader and all servicing people to another. Conversion was improved by 10 percent.

2. Resource Allocation

It is important to develop the architecture first and then find people with the necessary skills to complete the required tasks, not the other way around. This can be a difficult exercise, especially for a well-established company. An objective view from someone outside of the company with knowledge of the industry removes the emotional attachment between leaders and employees. It challenges leaders to consider eliminating tasks that are laborious, outdated, and no longer necessary with faster and easier processes. Reviewing the structure will also reveal an employee who is no longer productive as a result of lack of training and is the ideal time to identify training programs to enhance skills levels to increase productivity. Leadership effectiveness will also be spotlighted as limited accountability or lack of clarity will be identified as issues.

The implementation of a new structure should proceed carefully and involve an overall communication plan that starts as soon as the decision has been made to begin the review. The rationale for decisions needs to be explained in detail to staff to get full buy-in and minimize disruption and loss of morale. There is often resistance to change, but a proper explanation, listening to everyone's concerns, and responding appropriately will help staff make the necessary adjustments, and will make for a successful transition.

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3. Interdependence

Building and articulating a successful organization structure combined with a positive culture – meaning ‘how things are done around here’ – and strong, empathetic leadership leads to engaged employees. Good.Co reports that operating income is higher by almost 20 percent for those companies with high engagement.

Like the four legs of a chair, each component relies on the other to do its part to support the person sitting. Take one away and the chair becomes unstable. It’s an interdependent relationship between each component, and if one is weak all the others falter. In a business context, this interdependence leads to exponential revenue growth. Regular review and support by leadership and stakeholders make sure this happens. It is this synergistic relationship between these four components that create an atmosphere of trust and harmony where employees go the extra mile to deliver remarkable customer experiences.

In a future article, I’ll talk more about the importance of a powerful and positive culture.

Results and Benefits

What should the ideal structure look like when all is said and done? For the customer, it means the company is 'easy to do business with,' provided through a caring and eager-to-please staff. For the employee, they know their role and are confident that other employees will do their part to produce a product everyone is proud of.

An effective organizational structure is a recipe for success. Employees are happier at work with fewer turnovers. Productivity increases. Customers are happy and spend more and return more often. The organization has a solid framework to for decision-making such as employee headcount as well as a base for future growth.

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