

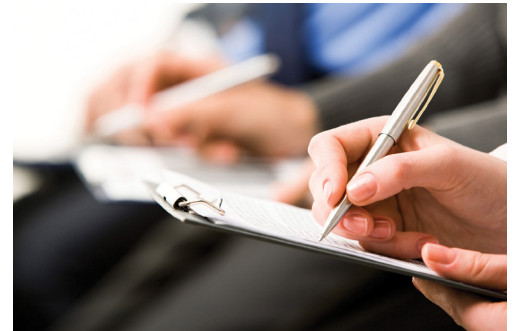
BDA White Paper - Operations and Management: Poor Organizational Structure is Hazardous to the Growth of Your Company!

A restoration company's organizational structure is what maintains the hierarchy in the business, facilitates communication, and keeps the organization running smoothly. Effective leadership and strong organizational structure are more important to the success of a company than technology, according to the International Institute of Management.

A company with many departments or levels that are insulated from each other ensures that the business owner knows less. Whatever the owner may be told is filtered by the level that reports it. Because a restoration company is served best with an owner-operator style of management, this removed method of management is hazardous.

In managing a business it is better to focus on two general but interrelated levels – leader managers and functional experts. Leader managers are the key management employees who have a long-term responsibility to the company. Whether through ownership, employment contract, or family their future is the company's future. However, leading a company is not a full time job so this frees up time for leaders to also perform management tasks and whatever other tasks that are calling for immediate action, i.e., estimating, supervision, or production.

Functional experts are the employees who are experts at some particular function. They provide restoration and remediation services, install work, estimate damage, manage jobs, do accounting/bookkeeping. They know the most about the area on which they focus and we know these employees as estimators, project managers, construction supervisors, lead technicians, office managers, and bookkeepers/accountants. In my experience as a business advisor I like to see no more than eight employees reporting directly to the owner. I have found that eight is the typical upper limit for effectiveness; having fewer allows for greater focus on each employee.



Because a majority of the company's cost is at the job/project level, it is well advised to have one person manage the total field operations. Two people are never a good idea. There can be supervisors for different service lines/departments; however, one person should manage the operational function of the company.

As a simple guide to help understand the problem of profitably growing a company, as the number of employees and levels of management in the organizational structure increases the communication system becomes less efficient and inaccuracies increase, all because more filtering occurs. Keeping your organization flatter – fewer levels – tends to be more efficient.

Without a formal organizational structure, employees may find it difficult to know who they officially report to in different situations, and it may become unclear exactly who has the final responsibility for what. Organizational structure improves operational efficiency by providing clarity to employees at all levels of a company. By being clear on the organizational structure, departments can work more like well-oiled machines, focusing time and energy on productive tasks. A thoroughly outlined structure can also provide a roadmap for internal

promotions, allowing companies to create solid employee advancement tracks for entry-level employees.

Designing an organization structure helps management identify talent that needs to be added to the company. Planning the structure ensures there are enough human resources within the company to accomplish the goals set forth in the company's annual strategic plan. It is also important that responsibilities are clearly defined. Each person has a job description that outlines duties, and each job occupies its own position on the company organization chart.

All restoration companies should be concerned about its bench strength (talent) in the event that the owner leaves the company for a short period, a key manager leaves the company, or if a catastrophic event hits the region.

What should you do now?

- Develop **Job Descriptions** to help the business owner account for all the tasks and functions required to operate the company and determine whether workloads are reasonable.
- Analyze **current employees** to consider the company's projected growth and expansion plans. Determine what skills and knowledge will be required for each position in the company, particularly management positions. Decide whether your current employees have the capacity to grow with the company and assume greater responsibilities or if you will need to recruit additional talent.
- Define **positions to be added** and determine the gaps between your current employees' capabilities and whether the skill sets required in the future will be filled with new hires.
- Create an **Organizational Chart** to indicate the reporting relationships for each position who reports to each manager. Depicting the organizational structure in chart form helps you to determine if the organization is balanced - ensuring that no managers have an unreasonable number of employees to supervise and each manager has the support personnel needed to complete the tasks assigned by the business owner.
- Present the **New Structure** and the changes to managers, supervisors, and employees. Be candid about why the changes in structure are necessary to accommodate growth and to allow the company to run more efficiently. If employees understand the logic behind the structure, they are more likely to support it.
- **Act now to save money** and schedule a **60 minute complimentary** call to discuss your business and what constraints may be holding you back. Email me to schedule a coaching demonstration, and **SAVE \$497**, any time during the upcoming blog posts.

My mission is to serve business owners and corporate executives that suffer from sleepless nights, making little to no money, and having people problems. I help them increase year-over-year performance and profits, build high-performing teams, and get some time back for themselves.



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