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Is your organization the right size?

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Most of the organizations we work with and talk to commit time annually to strategic planning and developing annual business plans. But how many of these companies spend the dedicated time, effort and focus on making sure that their organization is the right size?

The cost of running your organization is often the largest single component of G&A expenses. So why do so many organizations spend so little time determining if their organization is the right size? Why does it normally take a crisis like a commodity price crash or low economic activity to drive some sort of cost cutting exercise that is normally allocated a 3-letter acronym like Productivity Improvement Program (PIP)?

How often, when an employee leaves during a tight labor market and there is a delay in replacing the role (or even worse a decision is made not to replace the role), does the business continue on without disruption? If that person had not left, how long would that role have remained in your business?

We have helped many organizations across a wide variety of industries review their organization structures and resourcing levels. When we start discussions with the respective management teams and challenge their structures, roles and resourcing levels, we often hear such things as:

- That role was created to keep that person from leaving;
- We downsized and that manager role isn't really needed at that level but it's a legacy;
- That role was created for career development purposes;
- That person is due to retire in a few years and we won't replace the role;
- That person isn't really a manager – we call them that so we can pay them what we need to;
- They are a working manager; and
- That person used to have a large team and now they have one direct report, but we aren't going to change their title.

So why should you regularly check that your organization is the right size? In a VUCA (volatility, uncertainty, complexity, and ambiguity) business environment, there are many factors that impact what level of resourcing you need. As digitization and automation of many business processes occurs, we see that work disappears from organizations. Yes, this allows some roles to focus on more value-added activity. But how often is work created to fill a void? We know it's human nature not to just sit around twiddling our thumbs. Humans in the workplace will often find work to fill the workday or even worse maybe turn to social media or online shopping.

Maybe your organization has divested some assets and reduced the organization by the departure of the direct employees associated with those assets. But more often than not, the corporate functions remain unchanged. This has a double impact of increasing the percentage of corporate overhead applied to your income generating assets.

So, what can you do about it?

We utilize a combination of techniques to identify if your organization is the right size. We start by looking at how many vertical levels you have in your organization. We utilize a tried and tested methodology based upon the works of Elliott Jaques: Requisite Organization and Levels of Work. By understanding the business operating model, we are able to determine the appropriate levels of work that should exist in an organization. For example, a business that operates in one country and within one industry sector should generally have no more than five levels of hierarchy within their organization structure. Any more than this is not only inefficient but can also cause role overlap or role ambiguity. When we hear a manager described as a "micro manager," is it really because they have poor management skills? Or could it be that there is a structural problem and the manager's role overlaps with the subordinates? It simply could be that there isn't enough differentiation between the levels at which they work.

So how many levels of work exist in your organization?

Once we understand the levels of work that exist in your organization, we then look at why the levels of work are in place. Sometimes it is due to the business processes. It can also be due to factors such as regionality and product differentiation. More often than not there is no valid reason (or at least no longer valid) for these additional levels of work.

We also look at spans of control. In the constantly evolving world of the digital workplace, a modern manager with all of our digital communication tools can surely manage a wider span of control than they would have 10, 5, or even 2 years ago.

The implementation of digitization strategies will also have an impact on the size of an organization. Translating those strategies into organizational efficiencies is challenging for many managers. By understanding your digital and technology strategies, we are able to help identify the impact this should have on the organization.

Do you and your managers have a clear understanding of the level of contractors engaged throughout your organization? Many don't. The data is normally buried in accounts payable and not presentable by looking at an organization chart. Describing it as opaque in most businesses is often an understatement. In our experience, most businesses have poor visibility to this area of expenditure. Here's a tip – turn off all the contractor access badges to your building and see what happens.

We've been able to deliver to our clients a significant return on their investment for undertaking a right sizing exercise. By looking at their organization in a structured way, through an independent set of eyes, that return on investment can often be 100 times the investment. In addition, this will also allow you to make sure your executive team is well informed to make the right resourcing decisions to deliver the right sized organization in the right timeframe.

Is your organization the right size for your business?