Hertz Organization

Learning Team D

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**Hertz Organization**

Since 1918 the Hertz organization (or ‘the company’) had a mission to be the number one brand of rentals through exceptional customer service, convenient locations, and affordable prices. Since that point the organization has acquired Dollar and Thrifty, started another brand called Firefly. In addition they own an equipment rental business. Hertz, a Fortune 500 company has been very successful over the years. Acquiring other car rental companies and continuing to move forward through growth and develop in other areas; however this company like many others is faced with the need for structural improvement. After completing our research, we have found that Hertz had multiple levels of duplicated management and limited organizational structure which causes the company to suffer both financially and developmentally. In viewing the history and growth of the company we as a team have been able to determine some changes that may help to improve the business function of the Hertz organization. Having each of these businesses has enabled Hertz to grow in size, but now needs to evaluate methods for optimizing its organization. This requires first outlining the current structure of the company, then focusing on key areas of improvement. Business justification will be provided for each of these recommendations.

**Organizational Improvements**

One of the challenges that Hertz faces is operating one organization, with four separate brands. This has the benefits of each business unit functioning, in a decentralized manner at the cost of several duplicate business services. For instance John Hoffman, John Tague, Gary Rappeport, and Lawrence H. Silber are some of the many people within the organization that have the title CEO (Thrifty Car & Truck, 2013) (Bloomberg, 2015). At lower levels the same challenges exist through duplicate marketing, human resources, accounting, and finance departments. A more efficient model would be to consolidate these core business roles and services into one hierarchy. The organization could then benefit from the economy of scale and improve profit margins. Further complicating the organization structure, Hertz has “approximately 10,355 corporate and franchise owned locations (Hertz Global Holdings, 2015)” across the globe. This results in a boundary less and highly decentralized model. The benefits of this area each location can act in full autonomy, but it again comes with the costs of minimal standardization and core service redundancy. These wasteful actions are hurting the company’s profitability, which currently stands at loss of 1.21% and operating costs of 6.09% (Yahoo Finance, 2015). This is resulting in a loss of 131 million on 10.8 billion revenue.

**Approach for Improvements**

The approach that Hertz Corporation should take is consolidating the core business roles and services to one hierarchy and centralizing all decision making. By doing so a group of upper levels of the organization will take control of all decisions that can have an impact in profits and losses to the organization? It is beneficial to have a centralized organization because experts in managing the organization are more aware of what is happening as a whole and in each area of the organization. Therefore, it is easier to plan ahead and focus where the loss of profits is coming from. It also minimizes the error is decision making within each brand Hertz Corporation is working with. What may work with one brand is not necessarily going to work with the whole organization.

The steps in changing Hertz Corporation organizational structure are as follows (Ingram, 2015); One, Involve employees from all levels in the planning stage. It is important and beneficial to obtain feedback from key employees to gain deeper insight into operational issues. Two, keep communication progress within all members in the organization. It is important to keep employees informed of the progress so they don’t feel blindsided by the changes. Three, have thoroughly explanation and reasons for the changes being made. Employees need to understand the importance of the changes being made and how this is going to benefit the organization. Four, managers need to lead by example in order for all employees to be on board with the changes. Lastly step five, roll out the changes one department at a time in order to identify any issues in early stages of the change. Once it has been implemented in one department and has been successful you can then move forward to deploy changes in other departments.

In order to implement a more centralized organization, the work will be completed by a combination of individuals and teams. The individuals would consist of the managers leading the different divisions and departments, along with the individual employees. Structured teamwork will be the goal through effective leadership, communication and cooperation. Cross functional teams will be created to address the Global business structure where they will create and share a clear understanding of the tasks at hand. Having a combination of individual and teamwork contributions is the most effective way to centralize the organizational structure because you are continuously monitoring the positive and negative productivity. By having this combination, the organization will have more control over consolidating the core business roles and improve overall profit margins.

Although many of Hertz companies are franchises operating completely separate of one another we have found that systematic structure in combination with a centralized management will ensure future success for a company that continues to grows. As an organization, if Hertz can improve communication and employee participation it is likely to see an increase in productivity across the board; managers and employees alike play a major role in the overall success of any business. Improving and implementing new policies and procedures that monitor and control customer service is guaranteed to improve profit, growth and future success for a company such as Hertz.

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