

Optimizing Performance Through Wise Span of Control Choices

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For obvious reasons, we've experienced more and more clients requesting for our team to support and recommend changes that will cut costs while optimizing organization efficiency. While there are several approaches to start this process, the fastest savings opportunity is to consider the number of direct reports effectively managed by a single person. The organizational design community would refer to this as Span of Control (SOC).

What is the optimal number of direct reports for a manager? The answer is "it depends," and the reason it is important is directly related to the number of managers (or cost structure) in the business. When executed as a math exercise, SOC work can be completed quickly and savings realized within a few months as managers are exited from the organization. The challenge is moving at the right speed, with the right capabilities in place so that as employees exit, the business doesn't come to a halt.

It is critical that SOC is not executed as a separate and unrelated act. Our experience tells us that there are few unrelated acts in organization change. Most acts are related to other components in the organization, and increasing SOC and removing managers is no different. We have seen situations where clients increased Spans of Control from 4 to 10 without understanding the underlying work flow and process considerations; the result is fewer managers managing more people. However, without the right processes, systems, information, reward, and decision making elements changed to reflect the broader span of control, people become overworked, unmotivated, and frustrated by the change.

So what is the optimal SOC for a manager? To effectively answer this important question, the following key elements must be considered:

- Generalist or specialist work. The nature of the work done by the direct reports. The work can be split into two categories—specialists or generalists. Generalists' activities are related to work that can be scaled. Specialists' work must be delivered by a specific individual.
- Individual Contributor vs. Management Oversight. As we all know, managers today also roll up their sleeves and get real work done; so that their actual management time in some cases is minimal compared to their direct contribution.
- Requirement for oversight and control of the work. This is grasped by determining whether the manager has to give a significant amount of time to ensure the work is delivered correctly.
- Process flow of the work. How well does the work move through the organization without disruption and intervention?
- Capabilities and competencies of direct reports. Does the organization have the skills and knowledge to deliver the work tasks?
- The culture environment around the work. The culture of the organization - people development versus management oversight.

ArchPoint's approach to SOC exercise is all about the work we ask people to do. Adding direct reports to generalists is easier than adding to specialists. For example, if you have four direct reports today and 90% of your job is to manage direct reports (generalist work), adding more direct reports is easier. If your job requires a significant amount of specialist work, adding direct reports is more difficult because the work isn't standard around the

specialists' work. Creating standard processes around managing people gives you the ability to successfully execute the span of control work around generalist positions.

One way to offset and protect your organization from a simple math exercise of SOC is to approach this type of event as follows:

1. Review Current Structure

- The first stage includes reviewing the current organization from the top down starting with the leader's direct reports and then working down a few layers. As you work through the layers, you must detail the work of each direct report. It's important to note each report's level as a generalist (scalable, standard activities) or specialist (unique work activities that few can execute; usually functional in nature). Next, identify what percentage of their work is managing people.

2. Identify Opportunities

- Once you are clear on the work, you can start identifying natural changes that support the flow of work through the organization. The first step is to agree as a leadership team what the right spans of control should be for the business. Be careful about benchmarking here because different organizations have different support systems in place that might tilt the number. For example, an organization that has invested heavily in data mining and performance management automation will require less management time to deliver the required management documents than an organization that has not. Benchmarking other organizations has a place, but be aware that it can lead to wrong assumptions about what is possible in your organization.
- Next, identify opportunities for change in support of the SOC goals.
- Then identify waste in the current structure related to work that can be stopped. For example, do we need all the reports that are created?
- Finally, validate that the changes will not negatively affect the business strategy or priorities, and importantly, make a list of implications based on organizational enablers; work flow; people; information; decision-making; structure or culture.

3. Revise Structure Design

- With the assessment work complete, it is now time to revise the structure to reflect the changes. Make note of any exceptions in the new structure.
- To gain the organization's alignment, review structural changes with key business stakeholders and revise according to recommendations or concerns of these key stakeholders. Once the structure is finalized, identify the impacts to the business strategy and/or organization enablers.

4. Execute New Design

- When beginning the execution stage of a new SOC, define a contingency plan to offset concerns that may arise. Gain alignment to the contingency plan and implications to eliminate surprises in the execution stage. Finally, implement the structural changes.

Once completed, your organization will produce the same or better service to the external world at an overall reduced cost. Remember that organizations are connected, and pulling one lever (SOC) to save a quick buck or two will have significant impact throughout the organization. However, with the right preparation and organization insight, SOC actions can produce positive change.