Management Spans and Layers

Streamlining the Out-of-Shape Organization
Do you recognize the hourglass organization? If you look closely at the organizational chart of many public sector agencies and institutions, you will see this unfortunate phenomenon: excessive layers and narrow spans of control, particularly among mid-level managers. The result is often bureaucratic build-up, bottleneck decision-making, and a general lack of innovation. Employees laboring in mission-supporting roles are hamstrung by vertical decision-making and multi-matrixed reporting relationships. Their career prospects are not enticing, and their creativity is diminished. The view at the top is equally uninspiring…and crowded. Organizations like these need to find lasting and effective methods for getting in shape.

**Rooting Out the Underlying Causes**

The objective in streamlining the hourglass organization (see Exhibit 1) is not just the obvious potential for stripping out excessive cost; it is the concomitant opportunity to enhance mission effectiveness by simplifying decision-making, enhancing responsiveness, and unleashing innovation. Achieving these benefits, however, requires a new approach to organizational restructuring, one predicated on true and lasting behavior change rather than on deleting boxes on an organizational structure chart.

**Exhibit 1 | The Hourglass Organization**

![Diagram of Typical Spans of Control by Layer](source)

**Typical Spans of Control by Layer (number of direct reports)**

- **Officer**
  - 8 to 9

- **Senior Director**
  - 6 to 8

- **Director**
  - 3 to 6

- **Lead Manager**
  - 4 to 6

- **Manager**
  - 5 to 7

- **Supervisor**
  - 8 to 14

**Observations**

- **Wider span at the top**
  - Senior management sets example
  - Wider spans justify senior management’s existence

- **Narrow spans at the middle**
  - Fixed layer structure
  - Higher spans at top and bottom “squeeze” the middle

- **Widest spans at entry level**
  - Influence of middle managers
  - Organization redesign efforts focused on lowest levels

Source: Booz Allen Hamilton
To achieve enduring, productive gains, organizations need to look more than skin-deep for solutions. They need to look beyond organizational charts and job descriptions to the underlying “Mission DNA”—the collection of behaviors, assumptions, beliefs, habits, incentives, and rules that determine how and why people work together (see Exhibit 2).

Mission DNA is less visible and more difficult to get at than an organization’s structure, but it is essential to motivating stronger performance and ensuring sustainable gains.

Although proliferating lines and boxes on an organizational chart are an important indicator of organizational dysfunction, not all spans are created equally; some spans legitimately should be narrower than others. Excessive layers and narrow spans are merely symptoms of potentially serious organizational problems. Eliminating lines and boxes, therefore, does not cure a dysfunctional organization; it simply masks the symptoms. As discussed below, the root causes of an organization’s structural dysfunction are more fundamental.

**Root Cause #1: Lack of Accountability**

“We need to protect our employees from themselves.”

Organizations that do not hold employees accountable for their actions, results, and budget commitments breed a culture of mistrust and incur extra costs associated with excessive oversight. Additional layers of management become institutionalized to “chaperone” employees as they make day-to-day decisions. From the outside, an organization might look bureaucratic and/or incompetent, when the real culprit is ill-defined accountabilities and performance measures. There is no license for employees to improve the organization and no incentive to deliver against mission-critical objectives. Moreover, redundant levels and approvals enable everyone to pass the buck until the people making the decisions are no longer accountable for the decisions they make.

**Root Cause #2: Sub-Optimizing Silos**

“What’s good for my unit is good for the enterprise.”

Operational unit and/or functional silos will naturally crop up in any large, complex organization as managers compete for capital and resources. In an attempt to optimize their individual performance, however, units and functions often sub-optimize the overall enterprise’s performance. Typical symptoms of silo behavior are poorly placed resources, redundant staffing and services, and inconsistent messages to external stakeholders and the public. Although some might diagnose these symptoms as warring internal factions, the truth is that most units and functions probably do not know each other well enough to wage battle. The organization is too highly fragmented and/or dispersed, and centralized coordination and governance mechanisms are absent. Ironically, this
very fragmentation drives the need for more managers to coordinate within and across silos.

Root Cause #3: Micro-Managers
“Our managers like to get their hands dirty.”

It is no coincidence that slow-moving organizations often are bloated in their mid-section, with multiple layers of management eager to justify their positions. In pursuit of that goal, they “make work,” manifesting an insatiable desire for detail and requesting tremendous volumes of information that need to be assimilated and reconciled at each level. Excessive time is spent requesting, tracking, and approving spending, personnel, and operating decisions. Although the resulting organizational sclerosis could be attributed to inexperienced or incompetent subordinates, the root cause is management’s inability to delegate decision rights to those employees closest to the relevant information.

How To Be Flat and Happy... For Good
As with any type of organizational change, there is no single best way to remove layers. Some start at the top with the lead officer or agency head commissioning an audit of the organization. After benchmarking the organization against internal and external best practices, the senior team sets stretch goals to restructure management spans and flatten layers.

Others “bubble up” solutions from below by engaging the entire organization in “spans and layers” interviews and workouts. These sessions drill down to identify root causes of dysfunctional organization structures. Once these root causes are identified, organization leaders are charged with addressing them. Solutions might include setting up self-managing teams, altering management and employee responsibilities, and redesigning career paths.

Whichever solution is adopted, however, it is wise to remember six tenets of genetic reengineering as they apply to Mission DNA.

1. **Note that not all spans are created equally.** Avoid the seduction of simplistic targets (e.g., “no more than five management layers/no fewer than three direct reports”). Sustained improvements hinge on developing the appropriate size and number of spans and layers based on the nature of work, core processes involved, and interactions required for driving smart decision-making.

2. **Create cross-functional teams with process owners around key processes.** Empower these teams with real authority; they cannot be an afterthought or window-dressing.

3. **Design fulfilling career paths and staffing strategies.** Ensure that these paths and strategies include horizontal moves that will challenge and reward managers who are faced with fewer classic upward promotion opportunities.

4. **De-program micro-managers.** Train and hold accountable the next generation of middle management to delegate more decisions to the front lines where relevant information resides.

5. **Institutionalize communications vehicles.** Break through traditional roadblocks to ensure the free flow of information.

6. **Coach the change agents.** Coach the change agents—that is, the line managers who will not only design and deliver the changes but also most directly feel their implications.

In an environment of ever-escalating efficiency, effectiveness, and performance requirements, public sector organizations need to be fit and flexible to prosper. Too many, however, are burdened with a cumbersome organizational structure. Developing a flattering and more streamlined profile is not only a key to driving greater efficiency in the short term but also an invitation to enhancing mission effectiveness over the longer haul.
Case Study: Internal Revenue Service (IRS)

Since the passage of the Internal Revenue Service Restructuring and Reform Act of 1998, the IRS has redefined its mission and reorganized its structure to better serve taxpayers. Working with Booz Allen Hamilton, the agency has undergone a strategy-based transformation—moving from a 1950s-style geographic-function matrix to a modern structure, with customer-facing business units supported by shared services and a small corporate core.

As part of that work, Booz Allen conducted a “spans and layers” assessment of the IRS’ sprawling and increasingly cumbersome organizational model. We helped the agency reconfigure not only its structure but also its overall operating philosophy from one based on geographic footprint (33 separate districts) to operating divisions based on four customer segments: (1) Wage and Investment, (2) Small Business/Self-Employed, (3) Large and Mid-Size Businesses, and (4) Tax-Exempt and Government.

Wiped away in the new model were management layers—an average of five layers per operating unit. Gone as well was the traditional “top-down” decision-making process. Key to that transition was the introduction of a new concept of teamwork in which a diverse mix of levels and skill sets were brought together to focus on specific issues.

In addition to the four new taxpayer-based operating divisions, the IRS now has four functional units: (1) Taxpayer Advocate Service, (2) Chief Counsel, (3) Appeals, and (4) Criminal Investigations. It also has a shared IT organization that supports field and headquarters operations more efficiently and expertly. National headquarters has been reduced by 30 percent and is newly focused on policy, strategy, and oversight objectives. Having streamlined its back office and headquarters operations, the agency has been able to shift resources to customer-facing functions (e.g., field support and customer care). The result: steadily increasing customer satisfaction rates after years of declines.
About Booz Allen

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