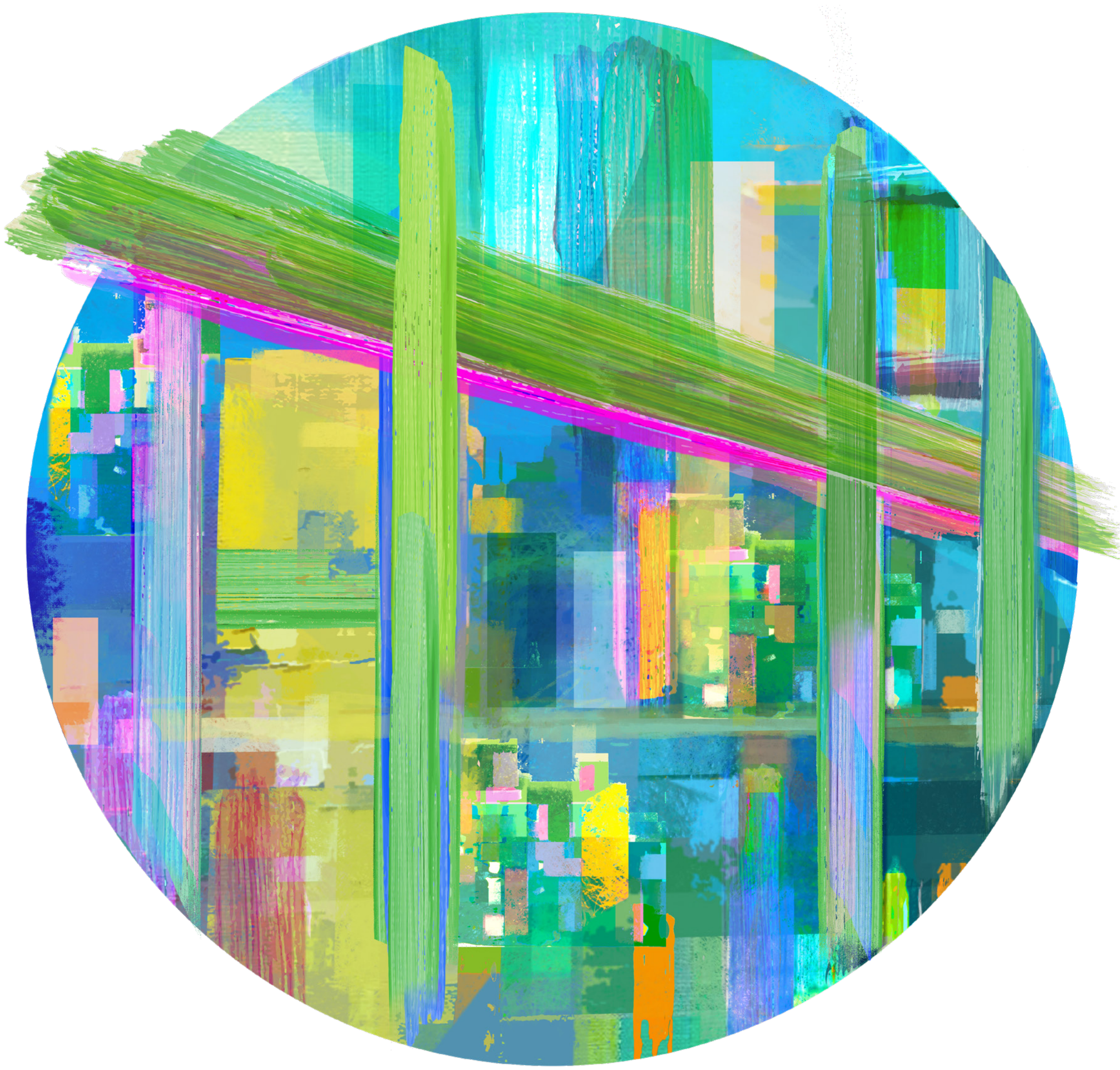

Sustainable organizational improvement: Unpacking the root causes of supervisory burden

Introduction:

Supervisory burden is a concept that determines appropriate spans of control at a granular level so that an organization can operate more effectively and boost overall performance.

One of the critical aspects to creating a highly effective organizational structure is balancing the concepts of oversight and operational efficiency. Organizations frequently seek to do this by reviewing and optimizing their spans of control. In other words, are work groups (functionally aligned teams) the right size to minimize labor cost while maximizing performance? There are many benchmarks and opinions on this topic that are often applied across an organization with little to no regard for functional differences between working groups. This is typically done in an attempt to reduce the number of small work groups in an organization; but without careful consideration, it can lead to as many issues as it seeks to resolve.

Many of our clients come to us seeking to understand the root cause of an imbalanced span of control. More often than not, we have identified disproportionately small work groups and underutilized managers as the primary drivers of gaps between the current state and the optimal span of control for a business or function. Disproportionately small work groups can increase fragmentation and siloed behavior, impose barriers for cross-functional collaboration, cause duplication of work, and make adoption of standards and leading practices more difficult.

Getting granular: Applying the concept of 'supervisory burden'

Several years ago, the Deloitte M&A team developed a concept called "supervisory burden," which seeks to improve organizational efficiency by providing guidance in the design of an optimal organization structure. Supervisory burden determines appropriate spans of control at a granular level to operate effectively and boost organizational performance.

As we started to apply the concept of supervisory burden with our clients, we noticed they were hyper focused on addressing labor costs through this assessment. We came to understand that labor cost is merely a symptom of an inefficient organization structure and therefore, if addressed too soon, would not target the root cause of inefficiency. Sustainable organizational improvement—and cost savings over time—requires a deeper look at the surrounding root causes that contribute to inefficiency to begin with, issues such as organization complexity, policies and practices, and the prevalence of working managers. Without addressing these root causes, organizations may not be able to realize sustainable improvements in management efficiency.

Let's begin by providing an overview of the supervisory burden concept. Supervisory burden measures the workload placed on a manager to manage their employees. A manager's ability to execute management tasks depends on a balanced span of control to supervise the appropriate number of direct reports to drive the required performance. A manager's span of control that is too wide or too narrow can cause organizational inefficiencies:

- **When the span of control is too wide,** supervisors do not have the visibility to anticipate ground-level performance and cost issues. Wide spans can also lead to an excessive supervisory workload placed on the manager, which leads to a greater need for "assistant managers" or "chiefs of staff" to manage those duties.
- **When the span of control is too narrow**, supervisors can spend close to 100% of their time as a working manager, either managing individual employees directly or performing their employees' work. One of the situations we see frequently in an organization that has issues with overworked managers is that managers are not behaving as managers; they're behaving as workers.

Measuring supervisory burden

Supervisory burden is measured by the interplay between four components of work: the similarity of the work across the team, the degree of standardization, the complexity of the work, and the interdependency of the work. Determining the degree of supervisory burden of managers within your organization helps determine the appropriate span of control to operate efficiently and effectively.

An appropriate or target supervisory burden can be calculated by assigning a score to each designed role in a working group based on these four criteria. Scores are then aggregated based on the role composition of the group. When compared to how managers/employees behave in their current-state roles, a supervisory burden gap is produced. Closing this gap at a work group, departmental, or functional level is the objective of improving management efficiency.

Component	Supervisory burden	Span of control impact
1. **Similarity of work:** How similar is the manager's work to that of the direct reports across the team?	As the similarity of work **increases**, the appropriate level of supervisory burden **decreases**.	
2. **Degree of standardization:** To what degree can work be standardized?	As standardization of work **increases**, the appropriate level of supervisory burden **decreases**.	
3. **Complexity of work:** How complex are the activities the direct reports perform?	As activities become **increasingly** complex and varied, the appropriate level of supervisory burden **increases**.	
4. **Interdependency of work:** To what degree must the manager coordinate activities with members of the work group?	As the coordination effort **increases**, the level of supervisory burden **increases**.	

Legend: Manager Direct report

Benefits of supervisory burden analysis

- **Provides leaders with the strategic and operational context** of their organization's span of control versus justifying the current state
- **Deconstructs span of control into four measurable supervisory burden criteria** that leaders, managers, and employees can understand and translate to their daily activities
- **Allows the calculation of appropriate spans of control** at the function, department, or work group level, as opposed to benchmarks that are only at the functional level
- **Provides a fact-based, bottom-up approach** to developing and implementing span of control targets

Root causes of supervisory burden gaps

What is really causing the small work groups that lead to supervisory burden gaps? A simple answer might be lack of intentional organization design or pure inefficiency. However, we have found that even in cases of intentional organization design, small work groups are created outside of a formal design process to meet critical business needs. Small work groups, and therefore the potential for management inefficiency, are likely developed through one of three root causes: operating model complexity, organizational policies and practices, and working managers.

Operating model complexity

The complex nature of an organization's operating model is a key driver of small work groups or teams. The operating model determines how a company will be structured and governed at an enterprise level to achieve its strategic intent. The complexity of the operating model must be consistent with the organization's size and strategic choices, and it can be quickly assessed by evaluating the number of business units, the geographic footprint, and the level of process integration across the organization.

- **Number of business units:** The more business units, the greater the operating model complexity. Are the business units of sufficient scale to justify separation? Do the business units meet any of the following criteria (different business models, different cultures, different product lines, different geographies)?
- **Geographic footprint:** The larger the geographic footprint, the more complex the operating model. Are the geographies of sufficient scale to justify separation?
- **Level of integration:** The lower the level of integration, the more complex the operating model. Is transactional, rules-based work being performed locally? Are decision rights decentralized? How mature is the use of centers of excellence or shared services?

Companies that are on the higher end of the spectrum for these operating model criteria are typically deemed as having complex operating models, therefore putting them at risk of creating small work groups to accommodate this operating model complexity. Each of these criteria leads to a specific outcome related to operating model complexity.

GREATER NUMBER OF BUSINESS UNITS ▶ OVERSPECIALIZATION

Overly complex operating models can lead to excessive specialization of work groups. This overspecialization frequently occurs when operating models developed for large, complex organizations are imposed on much smaller subsidiaries. For example, a subsidiary of a US Medicare/Medicaid plan provider was asked to adopt the commercial structure of its parent. The subsidiary organized sales support into several specialized groups: product/customer/geographic reporting, order entry, quota management, commissions support, and inbound and outbound customer service, and a manager was placed in each of those groups. However, given the subsidiary's size, these groups, while sufficient to support the business, were all very small, leading to a significant supervisory burden gap for sales support. Each manager had a low span of control.

POTENTIAL SOLUTION: To address this root cause, the operating model should be simplified to better meet the needs of the true size of the business. Comparisons of similar-sized organizations should be used to determine what an appropriate operating model structure could be, while still considering key aspects of the parent company's operating model. Should order entry and quota management be separate groups? Could inbound and outbound customer service be managed by one manager? Specialization of these activities does not drive competitive advantage nor does it drive efficiency. Therefore, for the small subsidiary, disparate work does not necessarily require separate managers.

LARGER GEOGRAPHIC FOOTPRINT ▶ FRAGMENTATION OF WORK

Companies with a decentralized operating model will frequently have work fragmented across business units, product lines, and geographies. Geographic fragmentation is especially prevalent and can be seen through numerous local or branch offices in subscale locations, each typically with a manager. To illustrate, a US bank holding company was executing a regional operating model that required coverage in many small-town offices across its footprint. When coupled with a requirement that a manager be in each of these locations, most of the groups were subscale, and most managers had low spans of control.

POTENTIAL SOLUTION: In order to address this root cause, the operating model should be consolidated and, once again, compromises need to be made to fit the size of the business. Should managers supervise employees over a larger geographic area or across business units? Could small-town offices continue local presence but be managed remotely? Is it economical to have a local office that is subscale? Could another approach (e.g., distributor model) be employed? Until work fragmentation is addressed, it will limit progress achieving higher spans of control. Experience with management in a post-COVID environment may reveal that virtual management can be effective to a degree, providing even more support to rethinking the management of diverse geographic groups.

LOW LEVEL OF PROCESS INTEGRATION ▶ PROCESS IMMATURITY

When processes are not mature, standardized, or effectively supported by systems, work that should be low complexity and standardized becomes complex and interdependent. Hence, the supervisory burden gap in the work groups executing these processes is significant. To illustrate, at a battery manufacturer, multiple enterprise resource planning systems stitched together through poor or non-existent interfaces created extensive manual processes and workarounds. This lack of process maturity required that employees use judgment to execute the process instead of following standard operating procedures. It also required significant management attention to check the results of each process, increasing the supervisory burden of the team.

POTENTIAL SOLUTION: To address this root cause, the manufacturer executed a significant global process documentation effort to capture all existing processes, in their current state, and to identify where there was opportunity for simplification, without the need to integrate systems. Once those process changes were adopted, the organization then moved to evaluate systems improvements as supervisory burden would remain high until a system could provide a streamlined workflow that would allow employees to follow a set of standard procedures.

Organizational policies and practices

The documented processes, annual practices, and ways of working in place at an organization to manage, grow, and promote talent are another set of key drivers of small work groups or teams. We find that small work groups are often rooted in the belief that they are needed to rally behind an individual and to demonstrate their capabilities to manage others or ensure their promotion to a new level. However, when these small work groups are created for those purposes, they often lack in true role design intention or business purpose; thus they are a target for increased supervisory burden and inefficient span of control.

There are three specific areas within organizational policies and practices where we often find the root cause for small work groups and supervisory burden gaps: career paths, development roles, and management talent.

CAREER PATHS

An insufficient amount of turnover in the upper organizational layers can lead to promotion of high-performing managers into the leadership of smaller and smaller groups, increasing the supervisory burden gap. At a large domestic automotive supplier, we analyzed 10 years of organizational data and found that there were more executive managers in the current year than there were 10 years prior, yet total headcount had declined over the period. Most of those executive managers had been with the company for the entire 10-year period of analyzed data. Not surprisingly, the average size of each executive's organization shrank during the period. In addition, the company's prized group of recently hired high-potential talent had annual turnover in excess of 15%, with the key reason for resigning cited as lack of career path.

We also have found that many organizations erroneously create a prerequisite to get to that executive level: having direct reports. Regardless of the focus and responsibility areas of an individual, some organizations produce a small work group to surround that individual as a criterion for promotion. Strict compliance to this policy can result in a large number of these small work groups just to support promotion candidates, driving down spans of control. Oftentimes, these promotion candidates do not have the desire, nor necessity, to manage others in order to perform the responsibilities of their job effectively. This frequently happens in technical and engineering groups where domain expertise should be adequately compensated at higher levels of the organization but may not require a team to provide that expertise.

POTENTIAL SOLUTION: To address this root cause, an assessment of the talent paths for a large domestic automotive supplier was required to understand the options that employees had as they continued their service with the organization. Frequently, attention to talent pathways and succession planning is given to mid- and entry-level roles but forgotten at the executive leadership level. Setting clear pathways for how talent can achieve specific executive leadership roles, and the expectations for performing in those roles, including expected tenure in those roles, is important to communicate (and enforce) as talent reaches those ranks.

This organization also changed its policy so that promotion was possible for an individual contributor. A set of criteria, different from that of a manager, was developed to identify promotion-ready capabilities for those who did not desire to manage others yet were deserving of appropriate responsibility and pay for their domain expertise. It is these individuals who were also part of the critical talent group that was experiencing significant attrition, but with new promotion criteria now identified, attrition in that group could be lowered and supervisory burden was reduced by eliminating the small work groups that once surrounded those technical individuals.

DEVELOPMENT ROLES

We often hear that a one-to-one reporting relationship is composed of a manager's eventual replacement by a direct report. While this may seem neat and clean from a talent development and succession planning prospective, it is not a required or efficient management structure. Team members should not be considered apprentices who need to work under their boss to gain the skill to eventually assume the boss's job. Likewise, the manager should not be able to step back from their responsibilities by turning over their organization to a single direct report.

At a global food company, we observed that most promotions and talent development was strictly tied to the organization's structure or the employee's life stage. This meant that most employees worked to eventually earn their manager's job, or when the employee expressed interest in getting to manage others, a team was fabricated around them to provide them that developmental experience. While this may provide the new team leader with a low-impact means of developing management capability, there are other successful development approaches that do not require the formation of small work groups, not to mention the negative impact this might have on the team members of those new team leaders. This organization also lacked a comprehensive management development program, which did not allow those managers to continue to develop management capabilities for the duration of their careers.

POTENTIAL SOLUTION: The company eliminated those development roles, and special projects or initiatives were used as a training ground to develop management capabilities. These short-term and non-fully dedicated roles were better opportunities for new managers to try out managerial skills in a low-impact environment. These new development roles were also incorporated into a revised succession planning process for the company to more successfully integrate team leaders with their newfound managerial skills into formal manager roles when ready. Also, an existing mentoring program at the organization was expanded to serve as a management development program that would teach participants how to grow their management capabilities over the course of their career. While formal management development training programs are not always feasible, adding curriculum to an existing program can provide that opportunity for interested employees but not strain the organization with yet another learning program. Through these informal opportunities to learn management capabilities, talent that are not performing well in those roles can receive the attention they need to develop while not subjecting other employees to that growth curve in a full-time role and thus negatively affecting the organization's supervisory burden.

MANAGEMENT TALENT

The unfortunate truth is that many managers supervise small work groups because they do not have the capability to manage larger groups. While this can be partly due to a poor management development program, it is also caused by underemphasis of leadership and management capabilities as selection or promotion criteria.

POTENTIAL SOLUTION: An American transportation and business services company made the decision to create generalist managers as a career track and put the learning opportunities and talent management programs in place to manage that career track. By focusing on the selection and development of generalist managers, the organization was able to drive higher spans of control and reduce supervisory burden gaps as employees moved through that track. It reduced the need for specialized management development programs, as it was a dedicated choice that talent could make for their trajectory at the organization. This company also required that those generalist managers move to new roles every two years, to a different function, and build their management capabilities by working with a new team in a new domain. Therefore, these generalist managers would not develop expertise in a specific function but could focus on growing their management capabilities and meeting expectations of that career track. This model successfully reduced supervisory burden across the organization as managers became capable of effectively managing larger teams.

Culture of working managers

Working managers can be both a root cause and a result of small work groups. Unless they are not working a full day, managers of small work groups are by nature working managers. To fill up their workday, they spend their remaining time performing work alongside direct reports. The results can appear promising, allowing managers to both lead others and perform a vital role in getting the job done. And those managers are probably the most capable of performing the work. Sometimes, however, working managers can become a bottleneck in their employees' daily workflow, serving as the primary approver for every step in a department process. In extreme cases, all workflow can stop when that manager is out of the office, because all workflow approvals stop. This is in contrast to a typical supervisory model, where managers serve in an issue resolution or threshold approver role and employees leverage their peers to keep work moving during personal time off.

Multiple work groups with working managers can increase operational complexity, create unnecessary organization layers, and drive up costs. When the employees' work is embedded into the manager's role at a task-by-task level, it can be difficult to migrate away from this model.

Frequently, we see a culture of working managers within decentralized organizations such as at a global food company, where they had multiple business units across the world. Many of these business units were further decentralized into business segments with general managers who ran everything from sales to manufacturing operations. While the intent to empower these managers to be entrepreneurs was clear, the result was an environment that reduced entrepreneurial focus due to the preponderance of small departments managed by working managers. Back to the large domestic automotive supplier, the engineering-driven culture of small work groups that were appropriate in engineering was pushed throughout the company, thereby creating a culture that celebrated domain expertise over management capability. It yielded a similar result, with a proliferation of working managers. In both of these examples, operating in an organic and decentralized manner over time drove organizational complexity and dramatically increased costs to manage.

If there is a strategic choice to operate in a decentralized model, or if the root-cause issues described above have not been addressed, then a culture of working managers will likely prevail. Keep in mind that there will be situations where a structurally small work group is required, suggesting a working manager model as the appropriate management approach. We often see that model when the work is highly complex and interdependent (e.g., engineering or corporate strategy), where a subject-matter expertise is required for success, or an apprenticeship model (e.g., internal audit) is appropriate to develop specified domain capabilities.

POTENTIAL SOLUTION: Determine whether working managers are appropriate based on structural challenges and supervisory burden analysis. Analyzing supervisory burden against the four components (similarity of the work, complexity, standardization, interdependency) gives insight into where the working manager model may or may not be appropriate. It also adds rigor and research-based insight to guide organizational design decisions. Once it is determined which working managers should be managing, assess whether these working managers are the result of some other root cause or are part of a culture that needs to be changed. And remember, cultural change is not a short-term fix and may not produce an adequate return on the investment required. This type of change should be viewed as evolutionary, with a series of change levers that must be pulled over time.

Getting started to reduce supervisory burden gaps

Here are some starting points your organization can use when looking to address the root causes of small work groups:

- **Assess current state:** Use organizational charts or employee census data to form a view of the current organizational landscape. Identify functions or departments with low spans of control, excessive layers, or large gaps to optimal based on supervisory burden, and try to identify the small work groups causing the gaps. Determine which of the root causes is driving each small work group and whether certain root causes seem pervasive across the organization.
- **Identify improvement opportunities:** Design operating model simplifications, policy or practice revisions, and cultural interventions that can address the identified root causes. Develop an implementation plan and road map to execute the recommendations.
- **Redesign the organization:** Redesign those areas of the organization that were affected by operating model changes. For policy and practice revisions, develop guiding principles that will reduce supervisory burden over time as they are enacted. Develop a targeted set of transition activities and timing, based on your identified opportunities, that are consistent with the speed of change needed and the desired impact on your performance goals.

We have described the three common areas of root cause driving small work groups: operating model complexity, organizational policies and practices, and working managers. We have also learned that working managers can be both a cause and effect of these small work groups. By addressing the root-cause issues, you can be better positioned to improve your company's organization design and span of control in a way that can be sustainable and create true organizational efficiency.

For more information, please contact:

Michael Puleo
Managing Director, Deloitte Consulting LLP
mpuleo@deloitte.com

Ami Rich
Principal, Deloitte Consulting LLP
arich@deloitte.com

Contributors

Darren Olson, dolson@deloitte.com | **Cliff Mansfield**, clmansfield@deloitte.com | **Lisa Simon Michaud**, lmichaud@deloitte.com