

Most Departments' Spans of Control and Number of Organizational Layers Do Not Meet Recommended Levels

A presentation to the Joint Legislative
Program Evaluation Oversight Committee

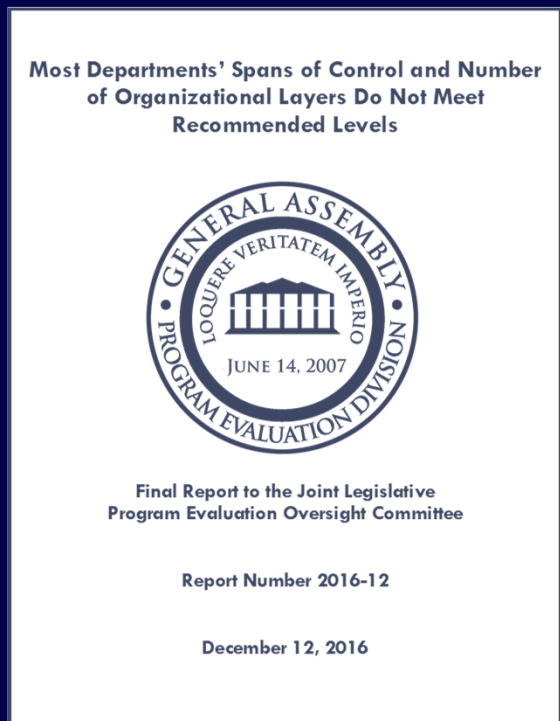
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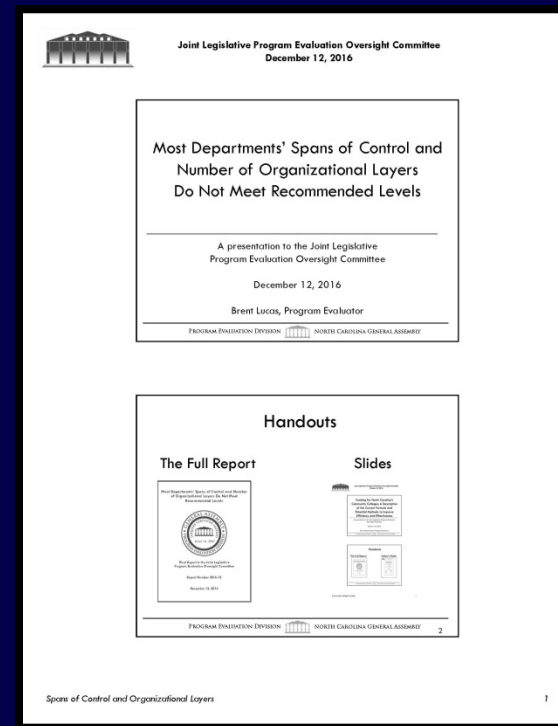


Handouts

The Full Report



Today's Slides



Our Charge

- Directive: Examine the efficiency and effectiveness of spans of control and organizational layers in state government executive offices
- Evaluated 21 principal departments designated by statute
- Report reviewed by
 - Office of State Budget and Management (OSBM)
 - Office of State Human Resources (OSHR)
- Team: Brent Lucas, Pat Madej, Kiernan McGorty



Two Concepts of Organizational Design

- Span of Control
 - Refers to how many employees a supervisor oversees
- Organizational Layers
 - Refers to the number of levels in an organization's hierarchy



Overview: Findings

- **Finding 1:** Only 1 of 21 departments meets the recommended minimum supervisor-to-employee ratio (on average)
- **Finding 2:** 10 of 21 departments have more than the recommended maximum number of organizational layers



Overview: Findings

- **Finding 3:** Executive offices of the 21 departments consist of 235 positions, which vary in number of subordinates, layers, and salaries
- **Finding 4:** State departments have broad discretion to determine their organizational structures and receive limited guidance



Overview: Recommendations

The General Assembly should

- **Recommendation 1:** Direct OSHR to take steps to monitor departments' spans and layers
- **Recommendation 2:** Direct OSBM to report periodically on each department's spans and layers



Background



Concept 1: Span of Control

- Span of control refers to the number of employees a supervisor oversees
 - Expressed as a ratio (e.g., 1:5)
- Ideally, a supervisor has a span that provides the level of supervision employees need to perform their work efficiently and effectively
- Potential consequences of low spans are supervisors having too much time to micromanage and failing to adequately delegate responsibility



Concept 2: Organizational Layers

- Layers refer to the number of levels within an organization's hierarchy
 - From the highest level (department head) to the lowest level (front-line employees)
- Ideally, the number of layers allows free, efficient, and effective communication throughout the organization
- Potential consequences of high numbers of layers are a lack of accountability and slower communication and processes

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Interaction of Spans and Layers

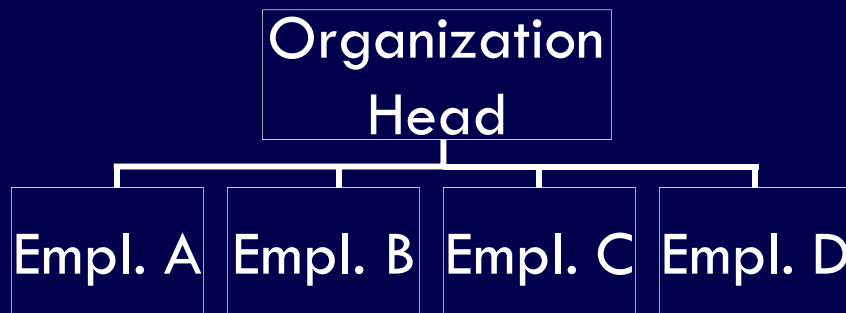
- Supervisors having low spans of control can lead to a higher number of organizational layers

Scenario 1:

5 Total Positions

Organization Head Span=1:4

Total Layers=2

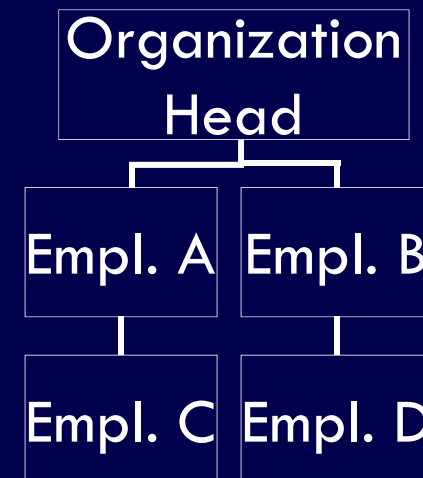


Scenario 2:

5 Total Positions

Organization Head Span=1:2

Total Layers=3



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Findings



Finding 1

Of 21 state government departments, all but one have lower supervisor-to-employee ratios, on average, than the recommended statewide minimum ratio of 1:8

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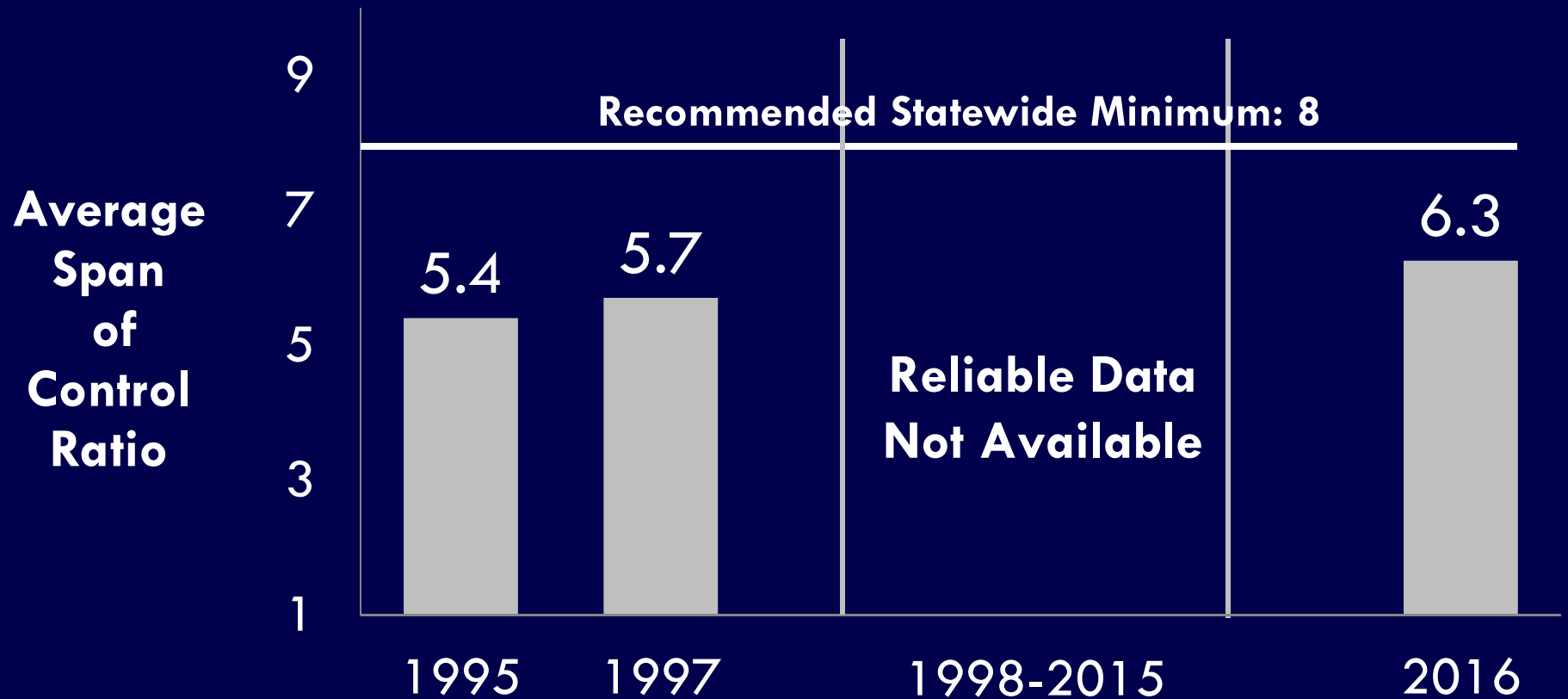


Recommended Span of Control

- OSBM's 1996 recommended span of 1:8 was developed using a state-specific data-driven approach
- Other states have standards for spans, but they do not appear to be data-driven
 - Texas requires 1:11
 - Iowa requires 1:15, which 15% of departments met in 2015
 - Oregon requires 1:11, which 66% of departments met in 2016



Supervisors Oversee 6.3 Positions, Slightly More Than in the 1990s



Only One Department Meets the Recommended Span of Control Ratio of 1:8

- Only DHHS meets the recommended statewide span ratio (1:8)
- Six agencies meet or exceed the statewide average span ratio (1:6.3)
 - DIT, DOA, DOJ, DPI, DNCR, and DHHS
- Small departments (1,000 or fewer positions) have lower spans (1:4.9) than
 - Medium departments (1,001 to 1,999): 1:6.2
 - Large departments (2,000 or more): 1:6.2

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A Third of All Supervisors Oversee Three or Fewer Positions

Statewide Percentage of Department Supervisors Overseeing			
1	2	3	3 or Fewer Positions
11%	11%	11%	33%

- Within departments, between 19% (DIT) and 54% (DMVA) of supervisors oversee three or fewer positions

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Finding 2

Of 21 state government departments, 10 exceed the recommended maximum of seven organizational layers

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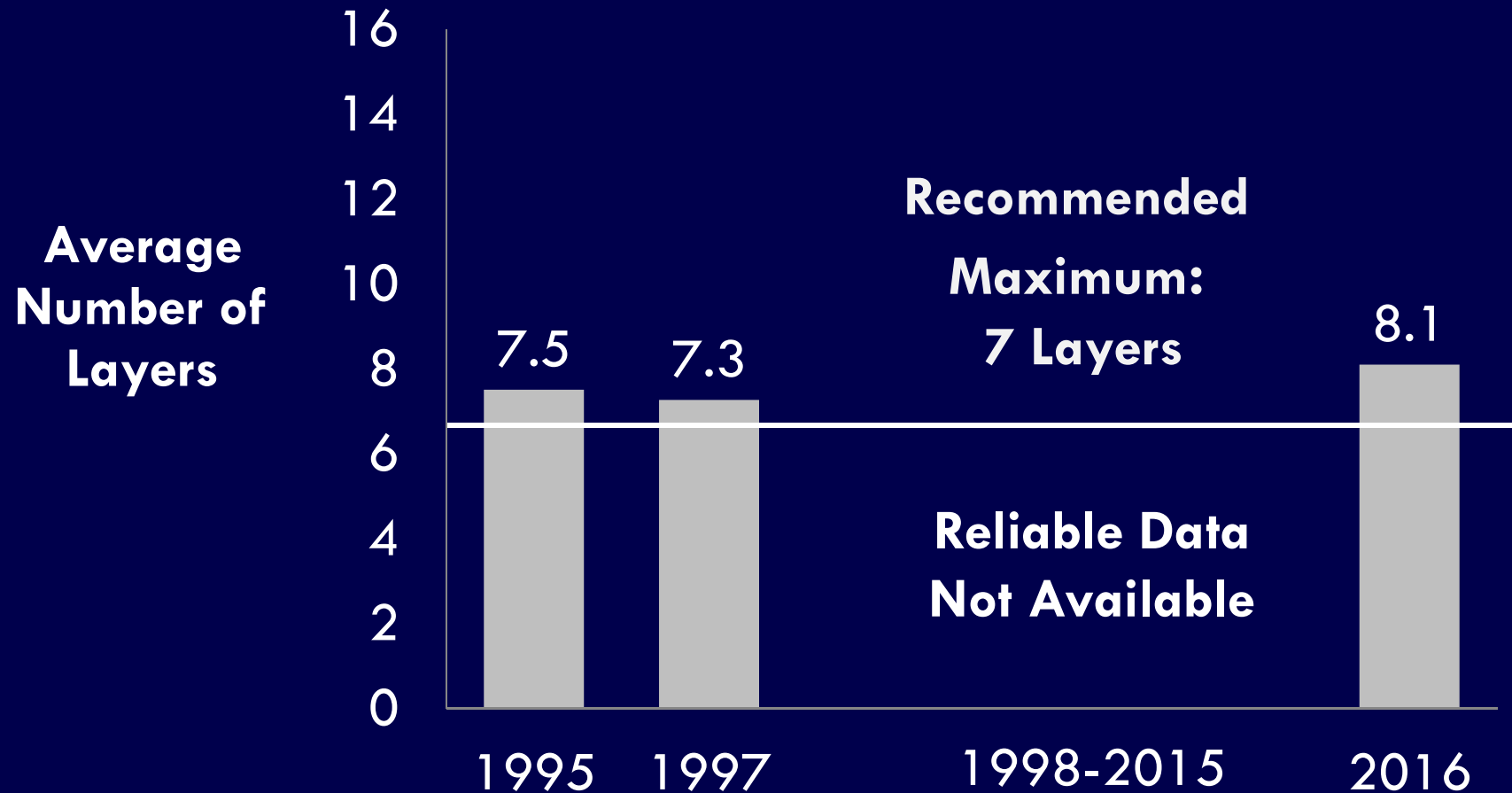
Recommended Number of Layers

- Organizational layers describe the distance from the top to the bottom of an organization
- OSBM's 1996 report recommended no more than 7 layers for state departments

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Average Number of Layers in Departments Has Increased Since the 1990s

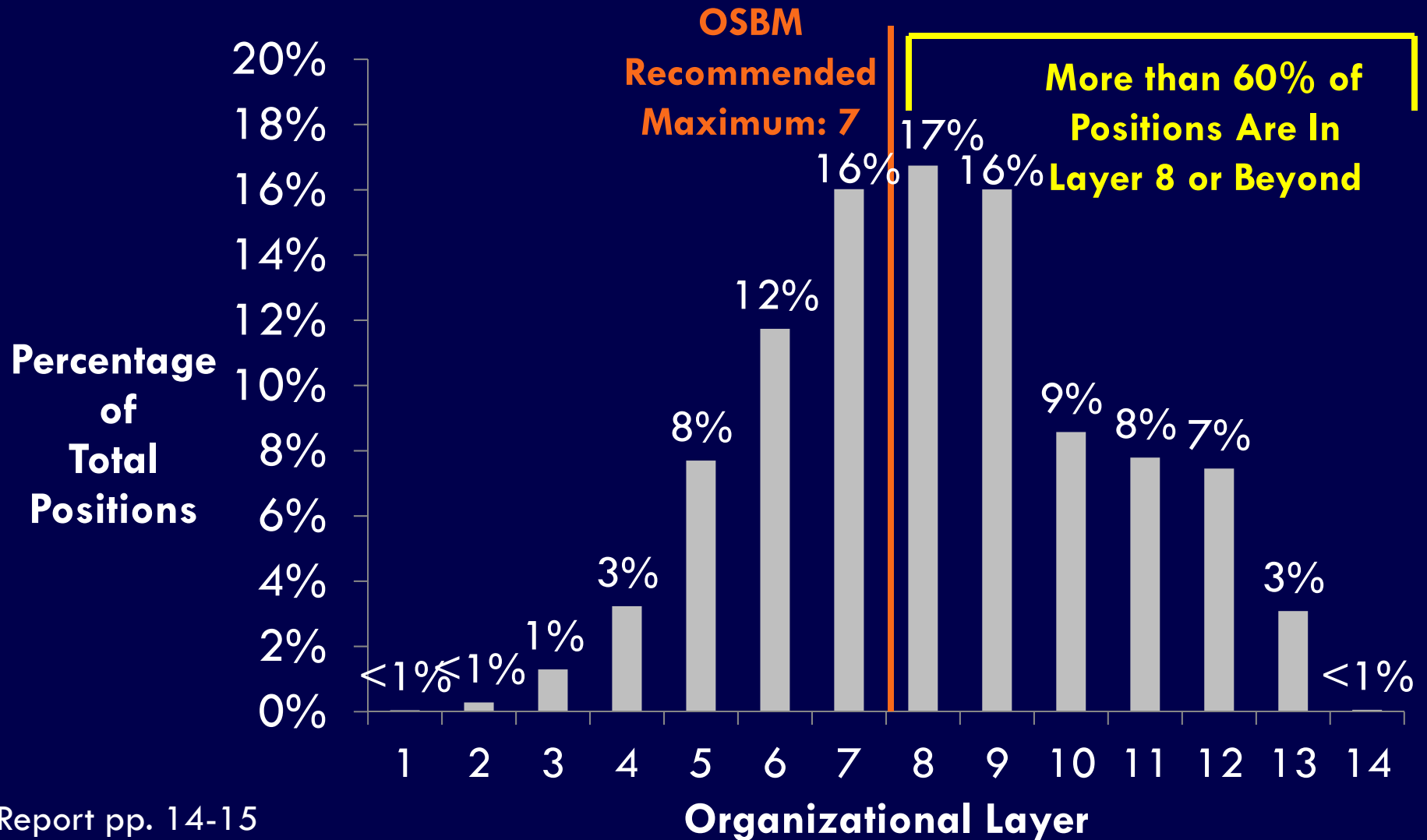


Ten Departments Exceed Recommended Maximum of Seven Layers

Department Size and Number of Positions	Does Not Exceed Recommended Seven Layers (n = 11)	Exceeds Recommended Seven Layers (n = 10)
Small (1,000 or fewer)	<ul style="list-style-type: none"> • Lt Gov • Gov • DMVA • OSA • CCS • SOS • DOL • DST • DIT • DOA 	<ul style="list-style-type: none"> • DOI • DOJ
Medium (1,001 to 1,999)	<ul style="list-style-type: none"> • DPI 	<ul style="list-style-type: none"> • DEQ • DOR
Large (2,000 or more)		<ul style="list-style-type: none"> • DOC • DACS • DNCR • DOT • DHHS • DPS



Most State Employees are in Layer 8 and Beyond, Exceeding the Maximum Recommendation



Finding 3

Executive offices of state government departments vary in terms of their spans of control, number of layers, and salaries

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Executive Offices Consist of 235 Positions Across the 21 Departments

- Represent .003% of all state positions
- Number and placement of executive office members varies across departments
 - Range from administrative assistants to agency heads
 - Range from a count of 2 (Lt Gov) to 30 (DOL)
 - Can be found in the first to fifth layers of departments
- 84% are supervisors and spend 24% of their time on supervisory responsibilities

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Executive Office Members Have Lower Spans of Control than Statewide Average

Personnel Category	Average Span of Control	Percentage of Supervisors	
		Meeting Statewide Recommended Span Ratio (1:8 or more)	With Narrow Spans of Control (1:3 or fewer)
Executive Office Members	1:5.6	34%	27%
All State Positions	1:6.3	30%	33%



Executive Office Members' Salaries Total \$26.1 Million and Average \$111,000

- Average executive office member salaries in departments range from approximately \$71,000 (DMVA) to \$147,000 (DIT)
- Total salary expenditures range from \$245,676 (Lt. Gov) to \$2.8 Million (DHHS)

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State's Compensation System May Discourage Maximizing Spans and Minimizing Layers

- Theory: a popular way departments reward state employees is to make them supervisors
- PED found some support for this theory
 - Executive office supervisors earn \$46,000 more than non-supervisors
 - For each additional position an executive office supervisor oversees, his/her salary increases by nearly \$3,000
 - For every layer an executive office employee moves up, his/her salary increases by more than \$18,000

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Finding 4

State departments have broad discretion to determine their organizational structures and receive limited guidance

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State Law Provides Departments Broad Discretion in Determining Their Structures

- State Constitution provides the Governor with broad authority
- Executive Organization Act of 1973
 - Grants discretion to department heads to establish organizational units or take personnel actions for efficiency
 - Provides the nomenclature for five organizational layers, from the department head to a unit supervisor
- Human Resources Act specifies how many positions can be exempt
- Various statutes require certain positions in departments

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OSBM and OSHR Provide Ad Hoc Guidance On These Topics to Departments

- Conduct activities relating to spans and layers but do not provide systematic guidance for departments
- Neither OSBM nor OSHR require departments to
 - update and publish organization charts online
 - submit BEACON supervisory relationship changes in a timely manner
 - monitor and report on spans and layers

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Recommendations



Recommendation 1

The General Assembly should direct OSHR to take steps to proactively monitor state department spans of control and organizational layers

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Recommendation 1

- The General Assembly should direct OSHR to
 - Develop standards promoting a consistent nomenclature for executive office positions
 - Develop standards for departments to submit BEACON changes in a timely manner
 - Develop a formalized organization chart format and require departments to regularly publish charts online
 - Establish formal policies and procedures for current activities to incorporate spans and layers

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Recommendation 2

The General Assembly should direct OSBM to report every four years on each state department's span of control and organizational layers

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Summary: Findings

- Only 1 department (DHHS) meets the recommended statewide span of control ratio for supervisors (1:8)
- 10 departments exceed the recommended number of organizational layers (7 layers)
- Departments' executive office members include 235 positions with varying spans, layers, and salaries
- Departments have broad discretion to structure themselves, and OSBM and OSHR provide limited guidance on spans and layers



Summary: Recommendations

The General Assembly should

1. Direct OSHR to proactively monitor the spans and layers of departments
2. Require OSBM to report every four years on spans and layers



Summary: Responses

- Two joint responses from OSBM and OSHR
- Reported general agreement with report findings but did not think legislation is necessary



Report available online at
www.ncleg.net/PED/Reports/reports.html

