The Summer School Series

Business as Unusual: Translating Spans and Layers Principles from the Private Sector to Higher Education

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Higher education institutions have the difficult task of balancing mission delivery while staying on budget; employees are stretched thin and many strategic objectives end up on the backburner until resources become available to pursue them. All the while, the board and/or state legislature is applying pressure, asking you to do more with the same (or fewer) resources. You may try to cut budget line items or squeeze a little more time out of your employees, but it can be challenging to find efficiencies.

Organizational structure is an often-overlooked, yet highly effective, means of finding both dollars and additional capacity to reinvest in other priorities. An organizational redesign can serve to maximize each employee's time and skills, while further advancing other strategic objectives.

Such a simple solution may sound too good to be true, but the private sector regularly utilizes this concept—Spans and Layers—to achieve similar goals. Spans and layers can be adapted and applied to higher education organizations to address some of these widespread problems.

In this article, we will discuss common causes of issues identified by Spans and Layers, and will highlight why universities can benefit from this approach that, until recently, was typically used only in the private sector.

What Is Spans and Layers?

Spans and Layers is a management tool used to diagnose and optimize an organization's structure by assessing the width and depth of the organization. (see Figure 1).

- Span: The average number of direct reports per manager – span measures the width of the organization. The larger the average span value, the wider the span of control.
- Layers: The number of supervisory levels from the head of an organization to the front line – layers measures the depth of the organization.
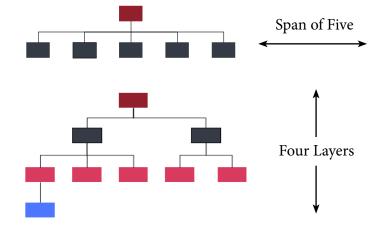
Why Do Spans and Layers Matter?

Sub-optimal organizational structure, characterized by low span and a large number of layers, can create a number of efficiency and effectiveness challenges (see Figure 2). In organization with low spans and a large number of layers:

- Front-line staff feel micro-managed
- Inexperienced managers find themselves in managerial roles
- High-quality managers are not developed by taking on stretch managerial responsibilities
- A lot of time is devoted to administrative work (e.g., multiple layers of staff meetings)
- A disproportionate share of salaries is spent on management

If this sounds like your university, you can become more effective by tackling Spans and Layers. The benefits include:

Figure 1: Examples of Spans and Layers

Span of Five

Four Layers

- Reduced administration and streamlined processes (e.g., reduce approvals / review steps) by reducing management layers
- Effective supervision for direct reports as a few number of high-quality managers specialize in management / supervision
- Empowered employees that take charge, help make decisions and feel responsible for the organization's success as they feel closer to leadership and decision-makers
- Cost reductions as fewer managers are needed to get work done

Why Do Spans and Layers Matter?

In the corporate world, many organizations aim for an average span of control of eight or more direct reports per manager. Within higher education, there is no blanket target or "right" answer. In addition, because universities perform such a diverse set of functions, from facilities to HR to biomedical research, university-wide span is typically less relevant than the span of individual units. However, there are several factor that lower the average span of control of universities in comparison to the private sector, including:

- **Scope** – University administrative units perform many different functions, from housekeeping to police work to standard corporate functions like HR. Because of this diversity, universities often have small, specialized teams in many areas, where wide spans are not possible.
- **Scale** – The scale of the university is a major driver of the achievable span and layers. Universities, even larger universities, tend to have fewer staff members than corporations, limiting the average span of control that they can achieve.
- **Working Managers** – At most universities, managers are often working managers, and have responsibilities outside of managing staff. These non-managerial responsibilities limit the number of direct reports that a manager can supervise. The prevalence of working managers can also be a function of management strength. Universities often struggle to attract and retain talent at the middle management level (e.g., because of compensation), creating layers of management that might not be able to handle a larger number of direct reports.
- **HR Policy** – Both university culture and classification systems limit HR's flexibility. In many cases, written

and unwritten rules can create "extra" managers. For example, salary increases or promotions can usually be provided most easily if an employee has managerial responsibilities. This can cause universities to create managerial positions to offer competitive compensation, even when a managerial role is not strictly needed. These HR issues are most acute for public universities, where HR policy is often outside of university control.

When determining the right span for your organization, it's important to consider some of these exceptional situations within your organization rather than striving towards private sector targets, which are often unattainable.
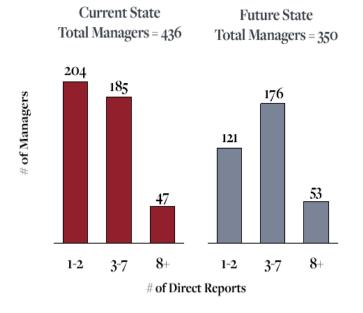
How Should Spans and Layers Be Used in Higher Education?

In the private sector, it's not uncommon for leadership to use top-down directives to manage their organizations, and this is largely how spans and layers is applied in corporations. However, higher education is unique in that achieving the educational mission is the primary consideration, and decision-making is much more collaborative and bottoms-up. Because of these differences, spans and layers should be used differently in higher education.

"In higher education, we very rarely take the time to step back and reconsider how we're structured. This has been an extremely valuable process for us. We found a lot of savings, but even if we hadn't saved a dollar, the process would have been worth it. We're seeing big gains in effectiveness and morale from streamlining our management structure." – University Provost

- Objectives: In the corporate world, hitting a span target is often its own objective, particularly in times of contraction. The organization is restructured and employees are severed to hit the targets. This is not the culture of higher education. The objective should be, first and foremost, to create the most effective organizational structure possible. When this is done well, span of control typically rises and layers typically fall.

- Collaborative Approach: Because spans and layers targets take a back seat to effectiveness within higher education, collaboration on creating the most effective organizational structure is critical. Each senior leader should be involved in thinking through options for redesigning their own units. Discussions with university leaders on organizational goals / strategy, along with concrete analysis of organizational data, provides the greatest insight for actionable organizational change.

- Reorganization as a Continuous Process: After conducting a thorough review of the current-state organizational structure, reorganization should be a continuous process. Every time an employee retires, leaves or transfers, leadership should view it as an opportunity to evaluate whether or not that position is still needed in its current form, or if there is an opportunity to repurpose it. If you think about it that way, it will ensure as many of your resources as possible are directed at supporting your academic mission and that your organization evolves effectively over time, while keeping spans and layers in mind.

Figure 2: Optimized Spans and Layers

What Benefits Have Other Colleges and Universities Actually Seen?

University leaders are under increasing pressure to keep costs down. Optimizing Spans and Layers can lead to significant headcount savings as a result of fewer expensive supervisory positions. In addition, going through an organizational redesign can often highlight areas where frontline staffing is too high or too low.

Our work with universities has shown that applying Spans & Layers principles can reduce the number of managers with only one or two direct reports by up to 30%, either by position elimination or removal of managerial responsibilities. These and other organizational changes create annual savings opportunities ranging from 1-3 percent of total labor costs. However, since faculty are excluded from Spans and Layers analysis due to their reporting structure and limited levels of supervision required, it is more accurate to say universities can expect to see savings of 2-6 percent of total non-faculty labor costs, depending upon the size and scale of the university.

Ultimately, it's important to remember that Spans and Layers is a guiding principle that can be used by higher education institutions to successfully optimize budgets and improve the effectiveness of their organizations. Unlike profit-driven corporations that have the scale and motives to hit much higher spans targets, universities should consider Spans and Layers as one of many tools available to them to do more with less and best serve their academic missions.