



**Joint Legislative Program Evaluation Oversight Committee  
March 26, 2018**

# 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

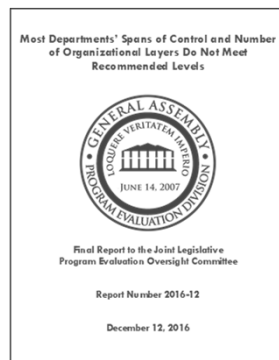
March 26, 2018

Brent Lucas, Senior Program Evaluator

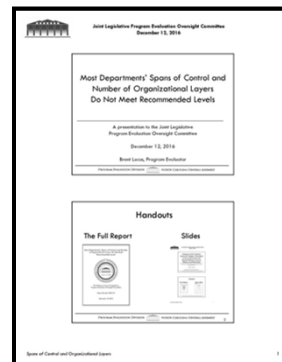
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## Handouts

### The Full Report



### Today's Slides



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## 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





## Interaction of Spans and Layers

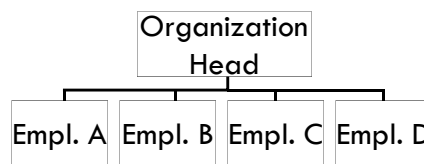
- Supervisors having low spans of control can lead to a higher number of organizational layers

### Scenario 1:

5 Total Positions

Organization Head Span=1:4

Total Layers=2

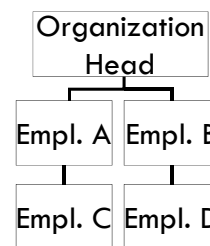


### Scenario 2:

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

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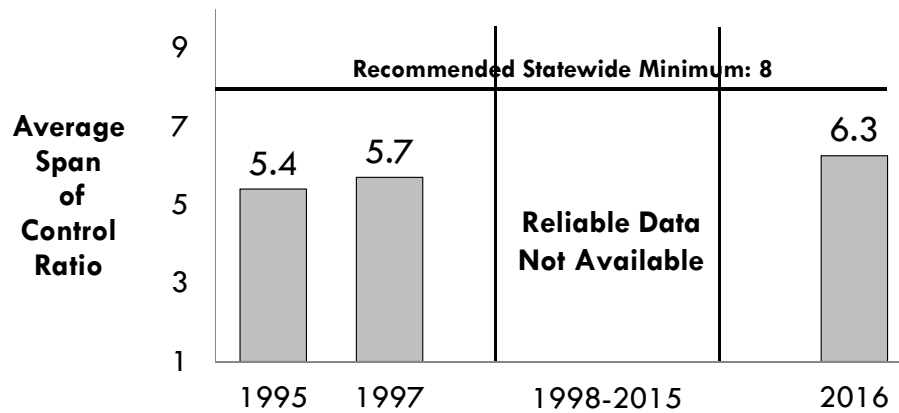


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### Supervisors Oversee 6.3 Positions, Slightly More Than in the 1990s



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### 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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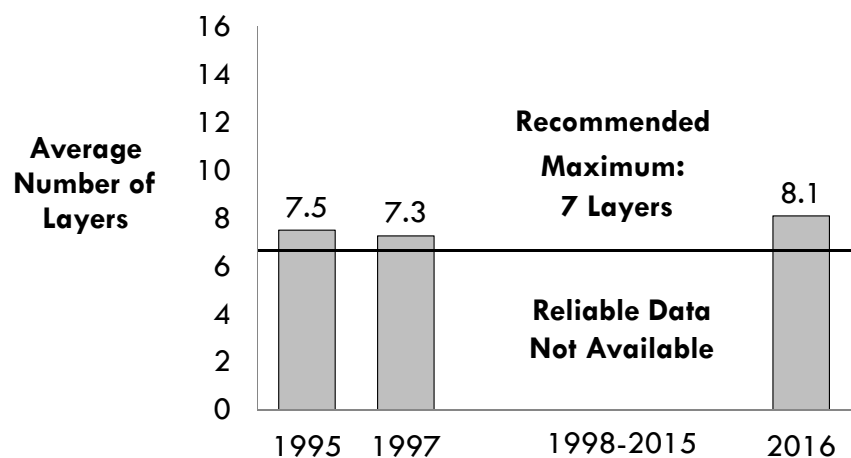


## Recommended Number of Layers

- 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



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### 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)
<b>Small</b> (1,000 or fewer)	<ul style="list-style-type: none"> <li>• Lt Gov</li> <li>• Gov</li> <li>• DMVA</li> <li>• OSA</li> <li>• CCS</li> <li>• SOS</li> <li>• DOL</li> <li>• DST</li> <li>• DIT</li> <li>• DOA</li> </ul>	<ul style="list-style-type: none"> <li>• DOI</li> <li>• DOJ</li> </ul>
<b>Medium</b> (1,001 to 1,999)	<ul style="list-style-type: none"> <li>• DPI</li> </ul>	<ul style="list-style-type: none"> <li>• DEQ</li> <li>• DOR</li> </ul>
<b>Large</b> (2,000 or more)		<ul style="list-style-type: none"> <li>• DOC</li> <li>• DACS</li> <li>• DNCR</li> <li>• DOT</li> <li>• DHHS</li> <li>• DPS</li> </ul>

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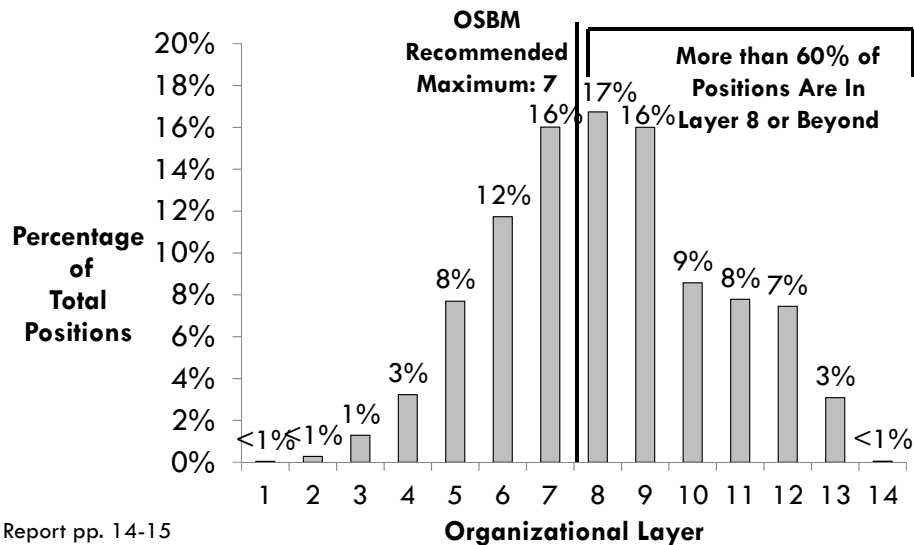
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### Most State Employees are in Layer 8 and Beyond, Exceeding the Maximum Recommendation



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## 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%

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## 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**







## 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](http://www.ncleg.net/PED/Reports/reports.html)

