

ONLINE APRIL 9, 2012

Diagnosing Your Top Team's Span of Control

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BY GARY L. NEILSON

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Choosing the right executive leadership team is one of the most important decisions that a C-level executive can make. Many leaders populate their teams with the “usual suspects”: people who have been on the top team a long time, seemingly entitled to a place there by virtue of their positions. Others are added only if there's room. In our article on top teams (“How Many Direct Reports?” *Harvard Business Review*, April 2012), Harvard Business School professor Julie Wulf and I advised executives to turn this logic on its head: “Start with the capabilities and roles needed to push your company's strategy forward.” In other words, your top team's members — drawn from some of your current direct reports, along with appointees to new positions that you create — should together be accountable for all the capabilities that shape your company's distinctive edge and enable you to win in the market.

Even with that criterion in mind, it's tough to get the size and composition of your top team right, especially given all the competing priorities that senior leaders face today. This is particularly true when you first come on board in a new position. The territory is often uncharted, your predecessor's experience may be irrelevant to your most pressing challenges, and reflective time is sorely lacking. Without guidance, and with few unbiased stakeholders in your immediate circle, you may end up relying on guesswork, gut instinct, or rules

of thumb that have little to do with your actual needs. The result? Too many or too few people reporting to you, with other peoples' competing priorities setting the terms of your discussion.

If you are a senior executive pursuing a coherent strategy, you need a span of control that is “fit for purpose.” Each voice at the table is a signal to the rest of the organization about what you consider important. Each represents a strategic capability needed to drive success for the company, or for the portion of it you lead.

Hence the need for a high level of rigor and objectivity in choosing the leadership team. Identifying the right number of people, articulating the roles and functions that have strategic importance, figuring out who should be a direct report, and deciding whether you need an operations chief are vital decisions that impact your effectiveness. An important first step is determining the right number of team members. Booz & Company's C-Level Span of Control Diagnostic Tool, available at booz.com/c-levelspan, enables you to determine a target span for your top team, based on the criteria most relevant to your particular situation. This insight can replace some time-honored conventions that have little to do with your actual challenges. For example:

- The assumption that seven constitutes a kind of magic number, when the particulars of your situation may actually require a larger or smaller leadership team

Gary L. Neilson

gary.neilson@booz.com
is a senior partner with Booz & Company based in Chicago. He focuses on operating models and organizational transformation and is a leader of the firm's work on organizational DNA.

Editor's Note: This article, along with one in the April 2012 *Harvard Business Review* ("How Many Direct Reports?" by Gary L. Neilson and Julie Wulf), is drawn from an ongoing inquiry into the appropriate structure for C-level top teams. For more information, see Booz & Company's diagnostic span-of-control profiler at booz.com/c-levelspan.

- The common practice of using metrics such as the number of employees or total revenues of a unit to determine whether its head should be your direct report
- The belief that appointing an operations chief will buy you breathing room so you can focus on the big picture

These conventions are largely irrelevant when it comes to assessing your real needs, and they may draw attention away from the factors that matter most. For example, where you stand in the executive life cycle needs to be a key consideration. If you're new to your position, you will probably need a comparatively large leadership team of up to 10 to 12 direct reports. This will help you evaluate your top people, work with the team to chart the strategic direction, and increase your exposure to more aspects of the business. If you're near the end of your cycle and are focused on succession, you can probably be more hands off and will benefit from having a tighter team. When you create more full-business P&L roles for one or more potential successors, your span of control naturally becomes smaller. Given these differences, it's also worth keeping in mind how your span of control may need to shift in the future.

Another key consideration is the amount of cross-organizational collaboration your enterprise requires. If business units are highly related, there will be more collaboration and joint issues that come up to the top. If the units in your organization operate more independently — for example, if yours is a large and diversified holding company — this structure would enable you to handle more direct reports. The units themselves would act as relatively self-contained businesses, and your role should be focused on longer-term direction and financial investment choices and performance reviews.

This level of cross-organizational collaboration is also influenced by global reach. If your company has widespread business operations, with offices in a number of countries, it will require more integration and collaboration (and therefore a larger span of control) than if you do business in a limited number of locales.

You also need to consider the proportion of time you spend externally. If direct interaction with customers, industry associates, or regulators is a major part of your job, you'll want a smaller span of control, allocating more responsibility to your direct reports to free you to assume a more external role. If most of your time is spent on working internally with the team, you'll be set up to handle a broader span so you can keep on top of what your units are doing. This is particularly important if you're undertaking a transformation.

If you're a CEO, you'll also need to decide whether to appoint a chief operating officer. COOs are often put in place for succession reasons — the position is used as the grooming post for the next person to step into the top job. They have also served as span breakers, managing specifics so the CEO can focus on the big picture. Key considerations when deciding whether to appoint a COO have traditionally been the organization's culture and the CEO's individual style, although the most relevant consideration is whether you also hold the job of chairman. If so, a COO can make sense. If not, you may find the role less than helpful. A span breaker can also serve as a filter and a way of insulating the CEO from direct managing responsibility, as well as needed information. To make the right decision, you need to take all these factors into account.

As you work with the span-of-control tool, bear in mind that, in addition to being a diagnostic, it has been

designed to help you learn. Answering the questions in the drop-down menus under each bar gives you a way to think about what criteria are most useful, given your particular challenges. The diagnostic is useful in helping you determine the target size of your leadership team. Its real purpose is not to give you a more customized number but to provide you with a way to assess what parameters should shape your decisions. You can also use the tool to revisit your needs as your situation and goals change over time.

Some questions in the tool are more important than others in helping you determine the size and composition of your leadership team. We've designed the algorithms to reflect the relative importance of these factors, based on evidence of what has worked best for CEOs and other top executives.

Determining the right span of control — the right people, the right number of people, and the right structure — is vital to your success on the job, but it is only the first step. In implementing the right balance, even the most skillful executives can make mistakes. But a diagnostic like this can help you avoid many of them. Top team design is not an exact science, but there's no need to fly blind. As you answer the questions and consider the results, you'll get a clearer sense of what matters most. +

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is published by Booz & Company Inc.
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