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Managing People

The True Cost of Hiring Yet Another Manager

by Michael Mankins

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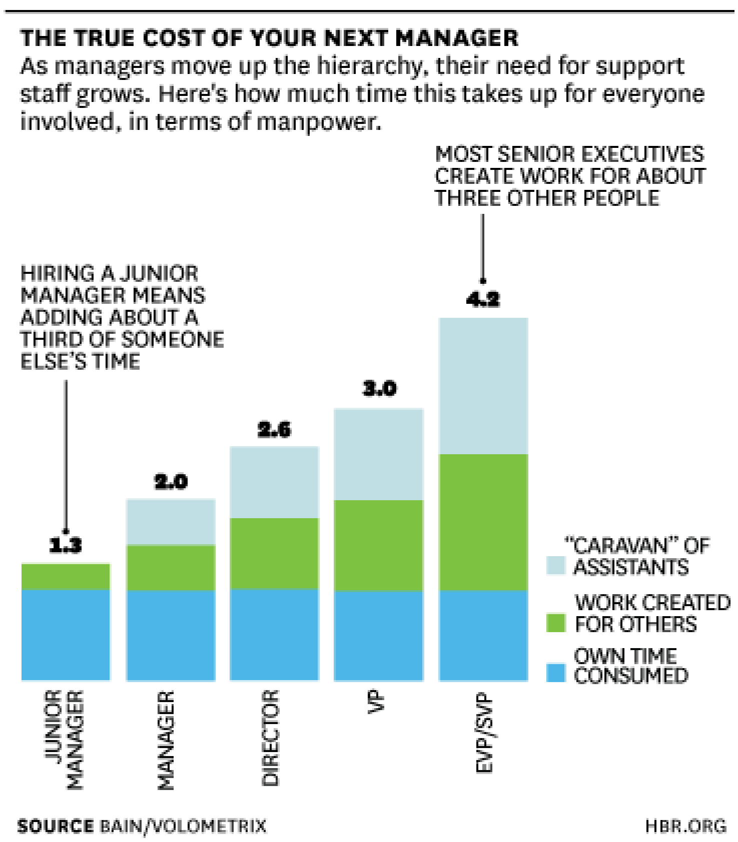
You can have terrific people working in the right teams and still not see the financial results you're hoping for. Why? It could be that your organization's structure is creating obstacles that compromise your workforce's performance.

One common culprit is out-of-control *tooth-to-tail* ratios. In a war zone, some soldiers fight on the front lines. Others maintain supply chains, handle logistics, and otherwise support those front-line troops. Military commanders know they can't let the tooth-to-tail (or combat-to-support) ratio get too low, or they'll wind up with a force that costs too much and can't win the battle.

It's the same in a company. You have front-line employees who create what you sell or who deal directly with customers: software developers, sales reps, call-center staffers, and so on. You also have support staff, including the people in marketing, finance, HR, and other functions. When the tooth-to-tail ratio gets too low, front-line people find that they have to send every customer request or idea for improvement up through the bureaucracy and wait days or weeks for a response. That not only creates long delays for customers; it also makes front-line employees feel disempowered and demoralized. How can they serve the customer when they're burdened with so much bureaucracy?

A second likely culprit: too many supervisory layers. Unnecessary supervisors create work and don't increase efficiency, thus lowering an organization's productivity. And companies often underestimate how expensive all those supervisors really are. Not long ago my colleagues and I studied the cost of adding a manager or executive, and we found a kind of multiplier effect (see the graphic below). When you hire a manager, he or she typically generates enough work to keep somebody else busy as well. Senior executives — SVPs and EVPs — are even more costly. These high-priced folks typically require support from a caravan of assistants and/or chiefs of staff. The support staff generates a lot more work for other people, too. The extra burden comes to 4.2 FTEs per hire, including the executive's own time.



We've found three steps to be helpful in liberating your people from the organizational mire:

1. **Manage your tooth-to-tail ratios closely.** Appropriate ratios naturally vary from one industry to another. But a company can gauge its performance against benchmark levels and make adjustments as necessary. If you can create standard processes for handling queries and ideas from front-line people, that will help them make and execute good decisions faster. You may find that all those support personnel aren't really necessary — that the tooth can be more effective with a much smaller tail.
2. **Trim your supervisory layers.** Compare your managerial spans — the average number of direct reports per supervisor—with industry benchmarks, and adjust your structure accordingly. Take into account, however, that different jobs require different spans of control. The lawyers in your legal department probably do highly specialized work that needs close supervision, thus requiring a narrower span of control. The custodians who clean your facilities, by contrast, can operate under a supervisor with a much broader span of control. Selectively removing supervisors (sometimes referred to as "delayering") can reduce workload and costs throughout your organization.
3. **Limit the caravans.** It does little good to eliminate unnecessary supervisors if those who remain are as costly and inefficient as ever. In some companies, it's common for senior VPs to have not just an assistant but a whole coterie of helpers, complete with a chief of staff. These caravans can generate just as much work as the executives themselves — again, a perverse multiplier effect. Limiting (or eliminating) these caravans reduces work and cost.

Some companies have begun to attack these organizational barriers. A large software company we worked with recently eliminated more than 40% of its supervisors, ensuring that the people who actually develop the product aren't overburdened with managers and other functionaries. When Alan Mulally first became CEO of Ford, he did away with the CEO's chief of staff position. It was a double-barreled message on Mulally's part: not only wouldn't he have a chief of staff;

he wouldn't have a staff at all. His decision precipitated similar moves elsewhere in the organization; no EVP wanted to have a chief of staff when the CEO didn't.

Chances are that your top performers want to live up to their full potential. Don't let organizational obstacles get in their way.

Michael Mankins is a partner in Bain & Company's San Francisco office and a leader in the firm's Organization practice. He is a coauthor of Time, Talent, Energy: Overcome Organizational Drag and Unleash Your Team's Productive Power (Harvard Business Review Press, 2017).