

# Can firms oversee more workers with fewer managers?

Firms need to tailor their allocation of talent and responsibility, and their managerial structure, to fit their competitive situation

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## ELEVATOR PITCH

Managers are supervising more and more workers, and firms are getting flatter. However, not all firms have been keen on increasing the number of subordinates that their bosses manage (referred to as the “span of control” in human resource management), contending that there are limits to leveraging managerial ability. The diversity of firms’ organizational structure suggests that no universal rule can be applied. Identifying the factors behind the choice of firms’ internal organization is crucial and will help firms properly design their hierarchy and efficiently allocate scarce managerial resources within the organization.

## KEY FINDINGS

### Pros

- + Larger spans of control facilitate the leveraging of managerial talent to more workers.
- + More knowledgeable workers can work more autonomously and therefore need less managerial time, allowing managers to supervise more workers.
- + Performance evaluation facilitates learning about workers’ ability and makes the allocation of talent within the firm more efficient.
- + Product market competition leads to flatter organizations and makes firms more responsive to their changing environment.
- + New technologies improve communication and information acquisition and allow managers to supervise more workers.

### Cons

- Higher spans of control limit the attention that managers can allocate to each worker, diluting the transmission of talent.
- The reduction in the number of layers limits promotion opportunities and can lead to an increase in wage inequality within the firm.
- The highest performers do not necessarily make the best managers, as leadership skills may differ from task-specific skills.
- Loss of control associated with reducing the number of layers might affect the quality of decision-making.
- Learning takes time, and lack of knowledge about individual managerial ability can lead to short-term misallocation of talent.

## AUTHOR’S MAIN MESSAGE

How to efficiently allocate managerial talent within an organization is of tremendous importance for the modern firm. Assigning more workers to a manager helps to leverage the manager’s talent but also limits the amount of attention the manager can devote to each worker. Modern information and communication technologies can assist managers to supervise more workers and also make workers more knowledgeable. Product market competition also makes firms adopt flatter organizational structures as they try to respond more quickly to a rapidly changing competitive environment.

