



Organisational structure & change

This fact sheet has been produced by the consortium research program's research activity 4: *Cultures and structures*. Its aim is to help RTOs develop a greater understanding of the impact of organisational structure on their organisational capability.

Structural change is seen as a way to meet the challenges of the future that face many organisations. While some writers agree that broad-ranging structural change may not always transform an organisation or enhance its performance, others claim that innovation will be a major source of competitive advantage to organisations, particularly when they introduce into their structures the qualities of speed, flexibility, adaptability, agility and integration.

The need for structural change

Enterprises today in both VET and other contexts are focused on selecting the best set of strategies which will allow them to stay ahead of their competitors and to meet the needs of their customers more effectively than their rivals (Callan 2004, p.9).

Writers present a range of views on the benefits and problems of structural change as one of these strategies.

The case for change

- Hunter (2002) proposes that organisations must constantly improve, and that to improve they must innovate and change existing structural dimensions to better achieve their organisation's goals.
- Pralahad (1995) highlights the rigidity of 'old' structures in organisations. He suggests that the inability to meet new demands with more unbounded structural approaches is the basis for 'competitive weakness' in many organisations.
- Senge (1994) claims that in the knowledge era, new organic structures will and must emerge in response to technological and global change.

The case against change

- Mabey, Salaman and Storey (2001) report on attempts to improve the effectiveness of large companies by downsizing and restructuring that changed the configuration of the organisations without necessarily improving long-term performance.
- Binney and Williams (1995) suggest that demands for structural change are often simply a response to a fashion trend, for example, the current interest in 'cross-functional organisations'.
- Banner (1995) notes the cost of developing and implementing new organic structures. He also suggests that people who are comfortable with bureaucratic structures that fit their paradigmatic beliefs will have difficulty getting used to organic structures.

A compromise

- Bryan and Joyce (2005) propose that instead of completely reconfiguring organisations, a simpler solution is to maintain the best aspects of hierarchy, and to streamline and simplify vertical management structures to encourage better collaboration and networking.

Key focuses for structural change

Organisations are finding that a focus on developing agility and team-work allows them to be more creative and innovative than their competitors.

Organisational agility

Agility is the capacity of an organisation to operate profitably while adapting to meet the complex needs of its dynamic and competitive environment.

Gunneson (1997, p.3) suggests agility requires: *...a flat, fast, flexible organisation, with continuous interaction, support, and communications among various disciplines, and no fat in the middle [as well as] highly decentralized management that recognizes what its knowledge base is and how it can manage that base most effectively.*

Other writers claim that to achieve effectiveness and efficiency, an agile organisation requires some restructuring that can include:

- a mix of **stability** and **reconfigurability**
- **integration** to develop and sustain its organisational capability
- people working together in **teams** to meet the ever-increasing complexity of their organisational environment
- collective intelligence and capability of **high-performance teams**.

Teamwork

Teams of varying kinds can have a major role in the structural evolution of organisations.

Lorrimar (1999) studied TAFE institutes and found many that are re-shaping their structures by moving away from the negative aspects of bureaucracy, and are implementing team approaches to delivery. However, she warns that:

Structural changes are not enough to make system gains. Imposing work teams as an organisational structure rather than empowering them to facilitate change can reverse system gains (Lorrimar 1999, p.16).

Other problems with teamwork can be that: *...misalignments between team structure and*

organisational structure can often be counterproductive and attempts to implement self-managed teams may cause frustration for both employees and management when organisational systems and structures do not accommodate self-managing demands (Tata & Prasad 2004, p.2).

Teams that can be adopted by organisations as a component of structural change include:

□ Self managing work teams

Organisations use these teams to bring together members with a range of skills needed to produce a product or service.

Such teams are granted sufficient authority and access to resources to produce their product in a timely fashion. Members manage their own group, develop their own processes for identifying and rotating managerial roles, and often authority rests with those who have the most expertise. Members also often train in problem solving and team building techniques.

These teams work best where technologies to deliver the product or service are complex, and the marketplace and organisation are continually changing. However, they can be a challenge to traditional managers – and even perceived as a threat.

□ Temporary matrix-like teams

Highly decentralised organisations of the future may be made up of autonomous work groups in temporary matrix-like structures.

These teams/groups will come together in loose collaborations to complete short term projects. Banner (1995) claims that for organisations using this type of team, instead of policies and procedures being the major coordinating mechanisms, vision or purpose will be used as organisational 'glue'.

□ Cross-functional teams

Many organisations find value in cross-functional teams. Such teams composed of experts are ready to move quickly and flexibly to adapt to changing business needs.

They are also likely to be more creative and more customer-focused.

- **High-performing multidisciplinary teams**
Some organisations of the 21st century will find a way to make spontaneous forming and re-forming of high-performing multidisciplinary teams a natural way to work. *As the business environment changes, the organisation adapts, and internally the structure is fluid in order to accommodate all the changes. Teams will form around a problem. Once the problem has been solved or redefined, some teams will disappear and new ones will form* (Miller in Hesselbein et al 1997, p.123).

Emerging organisational structures

The pace of product and technological change will continue to quicken, creating new markets and competitive pressures, calling for organisational structures that enable firms to rapidly introduce new products and enter new markets while conducting ongoing operations (Snow, Mathews & Miles 1999, p.2).

Many organisations are reconsidering the way they are structured so they can more effectively respond to the challenges of globalisation, increased competition, constant technological innovation and client requirements for customized services and products.

Mabey et al. (2001) describe these new configurations as 'de-structured forms'.

Networked and fishnet structures are examples of the shift in thinking in organisational design which aims to overcome the strictures of the traditional bureaucratic form.

- **Network, lattice or process-based structures**
The network structure is an extension of the matrix. It focuses on horizontal processes and networking between cross-functional development teams. *Unlike the matrix, which takes root where formal integration of competing, but known, business objectives is required; or hierarchy, which takes root where formal control and integration of sequentially dependent tasks is*

required, network takes root where formal responsiveness or continuous innovation is required (Friesen 2005, p. 33).

This 'lattice' form of organisation:

- is **complex** and **democratic**
- is **flat** with large spans of control that develop and maintain focus on customers
- makes **teamwork** its primary co-ordinating mechanism
- has its decision making largely guided by **customer satisfaction**
- features **lateral communication**, from one development team to another
- has managers who are **process owners** and skilled in **enabling** people to take initiative, co-operate and learn.

The benefits of the network structure are that it can provide a better return on management time, speed up decision making and break down boundaries, thus enhancing flexibility and capacity to adapt. It can increase employee involvement and broaden their perspectives and understanding of business imperatives and the organisation's strategic mission.

However, this approach provides challenges, including the need for quality information to support decision making and the need for more meeting time to ensure all personnel have ownership and input into the decisions. There is also potential for parochial interests and conflict.

- **Fishnet structures**

Organisations that adopt the free-flowing fishnet structure are able to empower their people by allowing them to work anywhere – spatial, cultural and geographical lines can be crossed at any time.

The fishnet structure will give 'New Age' or on-demand organisations the ability to be agile, flat, flexible, fast, customer-driven and team-based.

The fishnet is flexible; it can form and re-form...[it] rearranges itself quickly while retaining its inherent strength (Johansen & Swigart 1994, n/a).

No one appropriate structure, no one ideal organisation

Contextual factors have a wide influence on organisational structure. Each organisation also has its own distinct strengths, limitations and applications. The impacts of history and of different environmental factors on different parts of the organisation also vary.

Many authors emphasise there is no one appropriate or ideal structure for an organisation. A particular organisational structure may be appropriate for certain tasks, conditions and times. The challenge for managers is to test and develop the structure that best suits their tasks, context and environment.

In any one organisation there is often a need for a number of different organisational structures to coexist side by side. Also, work units within organisations must adjust and adapt to suit the changing circumstances. This ongoing evolutionary process means that many organisations are already hybrid structures.

Structural rejuvenation therefore does not necessarily have to be wholesale restructure. Rather, opportunities need to be provided for parts of organisations to adjust according to the pace of change in their environments.

It is also likely that many large organisations remain bureaucracies, even though they may have implemented flatter structures, initiated cross-functional teams and other restructuring.

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The future challenge for RTOs

The design task is to create organisations that are flexible enough to adapt to rapid change in the competitive environment, that are agile, creative, and daring enough to continuously abandon the old and create the new, and yet that are robust enough to build, nurture, and develop their competencies, their stock of knowledge and their performance capabilities (Mohrman & Lawler 1998, p. 395).

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