



## Organisational structure

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.

An understanding of organisational structure can provide guidance for organisations that want to change and innovate. Many writers agree that this understanding allows organisations to shape how their work is done to ultimately achieve their business goals – and that too often structure is given little consideration in business strategy and development.

### How do people describe structure?

Structure is generally considered to be the framework for an organisation's work, in which work is divided up and coordinated, policies and procedures are put in place, and authority relationships are set up.

It is communicated in charts, policies, procedures, terms of reference, roles and responsibilities, through formal communication and informally in people's behaviour.

- *Structure refers to the sum total of the ways in which an organisation divides its labor into distinct tasks and then coordinates them. (Hodge, Anthony and Gales, 1996)*
- *Structure is the degree of centralisation of decision-making, formalisation of rules, authority, communication...standardization of work processes and skills, and control of output (O'Neill, Beauvais and Scholl, 2001)*
- *The purpose of structure is the standardization of work processes, the specification of work output and the skills required to complete work tasks to the desired standards, thus meeting the goals and objectives of the organisation. (Mintzberg, 1979)*

### What influences structure?

An organisation's structure is determined by:

- *Age* – the older the organisation, the more formalized its behaviour.
- *Size* – the larger the organisation, the more formalized its behaviour, the more elaborate its structure, and the larger the average unit.
- *Technical systems* – the more regulated the technical system, the more formalised the operating work and the more bureaucratic the structure; the more advanced the technical system, the more elaborate the administrative structure.
- *Environment* – the more dynamic the environment, the more organic the structure; the more complex the environment, the more decentralised the structure; the more diversified the markets, the more propensity to split into market-based units.
- *Power* – the greater the external control of the organisation, the more centralised and formalised its structure. Examples of external power influences on RTOs are the maintenance of registered training organisation (RTO) status and adherence to the Australian Quality Training Framework, both monitored by external agencies.

## Key elements of structure

Elements of structure vary in degree from one organisation to another. They either differentiate or integrate the work of an organisation.

**Elements of structure that differentiate the work of an organisation** help to divide up the labour in the organisation. Three kinds of differentiation, when combined, show how complex an organisation's structure is. The more diverse the activities, occupations, functions and hierarchical levels an organisation exhibits, the more complex it is. Size also influences complexity. Types of differentiation are:

- *Horizontal differentiation*, or specialisation, refers to the splitting up of work into tasks and sub-tasks at the same level. It involves decisions about whether to develop high levels of specialised expertise in a narrow field, or broadly defined arrangements with greater flexibility. For example, a teaching unit or faculty has a high horizontal differentiation if it contains specialist areas of accounting, finance, management and HR development. It has low horizontal differentiation if it has multi-skilling as an established strategy.
- *Vertical differentiation* refers to the division of work according to level of authority or hierarchy. For example, tasks are allocated on the basis of the authority each unit or person has over others in an organisation. An organisation can be either flat, with low vertical complexity, or tall, with high vertical complexity.
- *Spatial differentiation* refers to the geographic location of different organisational activities, for example, in RTOs that have campuses across a state or several states or territories.

**Elements of structure that integrate the work of an organisation** coordinate and control work. Mechanisms that integrate work are:

- *Formalisation* refers to the rules, policies, procedures and other written documents that organisations produce to regulate behaviour.

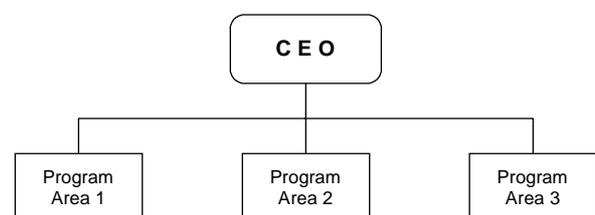
The greater the use of these, the higher the formalisation. The lower the formalisation, the greater the management confidence in the knowledge, skills and judgement of employees.

- *Centralisation* refers to the place of decision making within the hierarchy of an organisation. Decision making rests with the executive in highly centralised organisations, and ensures consistency. When vested in middle management or below, as in organisations committed to empowerment, this can be a time-consuming process.
- *Span of control* refers to the number of subordinate positions that a higher position coordinates. The span can be broad, with few levels of hierarchy and many employees under the control of one; or they can be narrow with more levels of hierarchy and fewer people supervised by one person.
- *Standardisation* refers to the mechanisms designed to reduce uncertainty and unpredictability in the work of an organisation. Examples are guidelines on assessment, validation activities to ensure consistency between assessors, specification of equipment or training and qualifications, client surveys and audits.

## Typical organisational structures

Different structures are appropriate for different contexts. Each type has its own characteristics, distinct strengths and potential weaknesses.

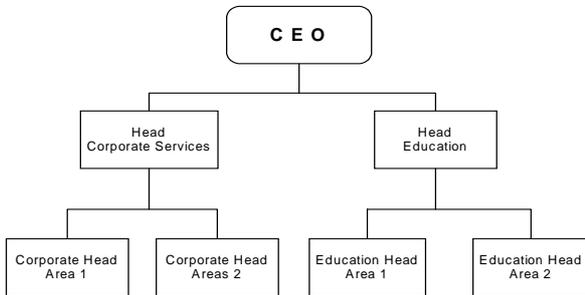
### The simple structure



This is typical of many small RTOs operating in niche markets in the VET sector. It is designed to be dynamic and responsive. The CEO takes on the central directive role, and works with a small managerial hierarchy with very few support staff to form a simple, informal and flexible structure.

In this structure there is some danger of dependency on personal skills, knowledge and experience of the senior executive. This may mean such organisations remain relatively static.

### The functional structure

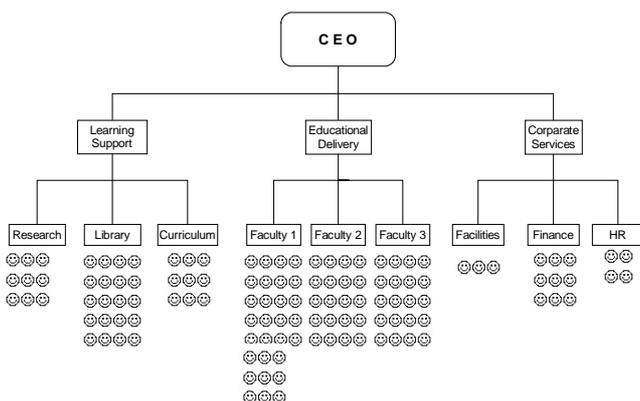


This has been described as both a 'machine bureaucracy' and a silo structure, because it groups similar or related occupational functions of processes together under unit heads like teaching departments, student administration, technical support, marketing, finance and HR.

Its strengths are that it reduces uncertainty, provides ease of supervision, economy and efficiency, simplification and standardisation of staff training, and maintains the power and prestige of major functions.

Its weaknesses are that it encourages sectional interests and tensions between functional groups. It has poor cross function communication which results in duplication of effort, diminished cooperation and limited efficiency because of the focus on functions rather than overall process or product. Clients therefore do not get continuity of service. It can be inward looking and inflexible, and cannot easily adapt. It does not tolerate a dynamic or complex environment.

### The divisional structure

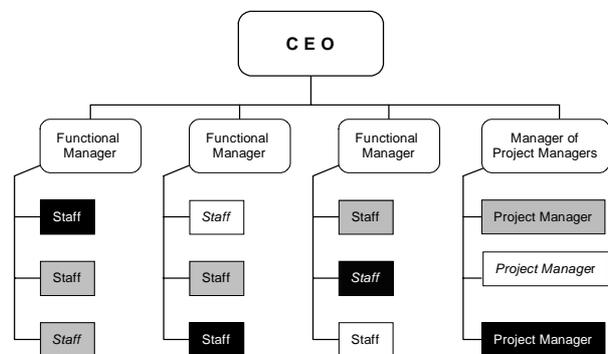


Within large RTOs this structure might be represented by discipline-based teaching faculties operating with a fair amount of independence supported by an educational services division (student services, educational research, teacher education, libraries) and a corporate services division (finance and administrative services).

Its strengths are that it focuses attention on specific products or services, geographic locations or client groups while placing responsibility for outcomes on the divisions themselves. With greater autonomy, divisional managers can better plan, delegate, adapt and coordinate divisional activities.

Its weaknesses are that, while offering opportunities for novice managers to be trained, it demands many more people with general managerial experience to sustain it. It results in duplications and competition for resources between divisions and the centre. It also has limited capacity for rapid adaptation to new ways of working.

### The matrix structure



This structure blends functional or bureaucratic structure with temporary project teams of specialists pulled together to undertake particular projects. It can take on various forms, some emphasising the functional structure of organisations, some placing greater responsibility on project management, and others blending functional and project authority.

This structure supports creative solutions to problems, enhances risk taking, and supports better planning and faster responses to client and market demands. It provides organisational agility to formulate fluid teams and reassign

personnel quickly. It frees up faculty members to take part in interdisciplinary activities such as curriculum technology and assessment. It assists adaptation to dynamic environments.

Despite these strengths, management difficulties can be a problem, including a tendency towards anarchy, power struggles, navel gazing and decision strangulation.

### The hybrid structure

In reality, the majority of organisations are a blend of these structures – that is, they are hybrid structures.

### Classic texts on structure

Burns, T & Stalker, GM 1961, *The management of innovation*, Tavistock Publications, London.  
 Lawrence, PR & Lorsch, JW 1967, *Organisation and environment: managing differentiation and integration*, Division of Research, Graduate School of Business, Harvard University, Boston.  
 Mintzberg, H 1989, *Mintzberg on management: inside our strange world of organisations*, Free Press, New York.

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Hodge, BJ, Anthony, WP & Gales, LM 1996, *Organisation theory: a strategic approach*, 5<sup>th</sup> ed. Prentice Hall, Upper Saddle River, New Jersey.  
 McMillan, E 2002, 'Considering organisation structure and design from a complexity paradigm perspective', *Tackling industrial complexity: the ideas that make a difference conference*, Downing College, Cambridge, 9-10 April 2002.  
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 Mintzberg, H 1979, *The structuring of organisations: a synthesis of the research*, Prentice-Hall, Englewood Cliffs, NJ.  
 O'Neill, JW, Beauvais, LL & Scholl, RW 2001, 'The use of organisational culture and structure to guide strategic behaviour: an information processing perspective', *The journal of behavioural and Applied Management*, vol.2, no. 2, pp. 131-150.

### Consortium research program website

<http://www.consortiumresearchprogram.net.au>

## Different environments – different structures

RTOs today exist in an environment of constant change. The structures of their organisations evolve in response to this changing environment.

Two extremes of organisational structure which show very different responses to very different environments are mechanistic and organic structures. Many organisational structures evolve into forms that lie somewhere between these two.

**Mechanistic organisations** are bureaucracies. This structure is appropriate when conditions for the organisation are constant, where tasks and processes are routine and where standard operating procedures or a hierarchical structure of control are sufficient to manage the low levels of uncertainty in the environment.

**Organic organisations** are flatter, with low levels of formalization and standardisation. They are characterised by roles and tasks that require personnel with specialist skills, knowledge and experience, the ability to negotiate and mutually adjust as the environment changes around them. They are more flexible and adaptable to participative management, and create an organisation that can respond rapidly to customers' needs and changes in the business environment. This structure is appropriate for organisations in a turbulent environment.

### Comparison of mechanistic and organic organisations

Structural characteristics	Mechanistic (bureaucratic)	Organic (flexible, adaptive)
Complexity	High vertical and horizontal complexity	Low vertical and horizontal complexity
Formalization	High formalization	Low formalization
Centralization	High centralization	High decentralization
Spans of control	Narrow spans of control	Broad spans of control
Standardization	High standardization	Low standardization

Hodge et al. 1996, p. 48

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Research activity 4 is a project on *Organisational culture and structure*, and the research team is Berwyn Clayton, Andrea Bateman, Mike Brown and Roger Harris. It is one of nine research activities in the consortium research program.