Assessing the impact of cultures and structures on organisational capability

Berwyn Clayton & Thea Fisher
Centre Undertaking Research in Vocational Education
Canberra Institute of Technology

Abstract

Schein (1992) suggests that organisational culture is even more important today than it has previously been before. Globalisation, increased competition and technological change have created a greater need for innovation, coordination and integration across organisations in order to improve efficiency and meet the expectations of increasingly more sophisticated clients. It is suggested that the key is to identify and effectively manage the varying cultures that exist within organisations, to develop synergies between them and, where possible, prevent them from conflicting with each other. At the same time, traditional organisational structures are being tested by demands for greater adaptability and flexibility and mechanistic organisational structures are making way for more organic structural approaches.

This paper presents the findings of research into Australian vocational education and training providers and the impact that cultures and structures have on their organisational capability. The study is a component of the DEST funded consortium research program Supporting VET providers in building capability for the future.

Introduction

Registered Training Providers (RTOs) are facing major challenges in meeting the broad spectrum of demands being placed upon them by the competitive training market, new ways of working and national skill needs. Business is calling for more than traditional, institution-based approaches to skill development and government is demanding that training providers adopt innovative and flexible approaches to better meet the needs of their clients. Acknowledging these imperatives, some RTOs are moving from conventional hierarchical structures to configurations which allow greater organisational agility. Collaboration and teamwork are key strategies in this new structural approach. At the same time, there are cultural changes which mark a transition from the concept of public service to a focus on enhancing capability, commercial viability, innovation and entrepreneurship in the delivery of vocational education and training.

Context

The purpose of this research activity within the broader research program, Supporting VET providers in building capability for the future, was to examine the impacts of cultures and structures on the capability of vocational education and training providers. The study was set up to describe the ways in which organisational cultures and structures shape what is
possible, to identify strategies of adaptation and change of organisational cultures and structures, and to select useful models of cultures and structures with potential for application across a range of RTOs. A related purpose was to inform teachers, trainers and management in training organisations to develop a more comprehensive understanding of the cultures and structures within their organisations.

Within this context the following research questions were framed:

1. To what extent and in what ways do the cultures within RTOs influence team and organisational capability?
2. In what ways and for what purposes are RTOs adapting their organisational structures to enhance team and organisational capability?

**Summary of issues identified in the literature**

Globalisation, technology, increased competition, new economies and new ways of working are challenging organisations to adjust – whether they are business, public service or educational institutions. The adjustment for the vocational training and education sector has been to transform from a large supply-driven bureaucracy into a leaner market-focused service industry (ANTA, 2004).

That such large changes threaten the quality of vocational training and education was a consistent concern voiced during consultations in RTOs across Australia at the start of the consortium research program. Issues of culture and structure were two facets of organisational life that were seen as central to the enhancement of the capability of training providers.

Much literature has shown that organisational structure and culture exist in close alignment with overlapping functions, although one is not necessarily a substitute for the other. Together they provide a focus to enable organisations and individuals to reduce uncertainty, variability and ambiguity, providing a framework for acting in a consistent manner.

On the issue of structure, Mintzberg (1979; 1989) and others have shown the influence that environment has on the structure of organizations and the way in which they evolve. They claim that an organization’s structure is largely determined by the diversity in its environment and the variety of structures relates specifically to the degree of complexity and the pace of change.

According to Gunneson (1997) agility is a critical structural element in achieving organisational effectiveness and efficiency. Agility relates to the capacity of an organization to operate profitably while adapting to meet the complex needs of a dynamic and competitive environment. Traditional organisational structures are being tested by demands for greater adaptability and flexibility. Highly bureaucratic or mechanistic (Burns & Stalker, 1961) organisational structures are making way for more organic structural approaches.

Throughout the many discussions on the merits of various organisational structures – it is also made clear that in reconfiguring an organisation to enhance its performance, there is no one appropriate or ideal structure. Further, there is agreement that many organisations have hybrid structures in which a several different structures happily co-exist (Mintzberg, 1989; Peters, 1993; Drucker, 1999).

On the issue of culture, many authors agree that understanding culture and viewing organisational life from a cultural perspective are key tools to achieve organisational
effectiveness, while manipulating culture in organisations for a ‘quick-fix’ is likely to be superficial and ineffective.

A number of writers explain how an understanding of culture in organisations, and its relationship with capability and performance, could lead to more effective management and leadership. Martin (2002) and Alvesson (2002) have shown how this understanding can offer managers solutions and ideas for everyday interactions which can eliminate contention, and can help organizations to increase capability, productivity and even profitability. Schein (1985, 1992, 2004) suggests that understanding how leaders create culture and how culture defines and creates leaders, illuminates leadership—a critical variable in defining success or failure.

Schein (1992) also suggests that a key to organisational effectiveness is to identify and effectively manage the complexity of varying cultures that exist within organisations, to develop synergies between them and, where possible, prevent them from conflicting with each other. He contends that organisational culture is even more important today than it has previously been, to improve efficiency, deliver high quality services and meet the expectations of increasingly sophisticated clients.

Much of the literature consulted for this research confirms the importance of both culture and structure for organisations in an environment which has created a great need for strategic innovation, coordination and integration across organisational units.

Methodology

The vocational education and training sector in Australia is large and highly complex. This complexity together with the significant differences in organisational structure and culture across public and private providers and between state-based approaches, determined the choice of a qualitative research approach as most appropriate for the study.

Research methods

The major research methods used were a review of the relevant literature, in-depth semi-structured interviews and focus group interviews. Participant questionnaires were also developed to support all interviews. A review of organisational documents and the collection of interviewer observations completed the research.

Sample details

Ten registered training organisations (RTOs) participated in the study – seven TAFE institutes, one small private provider, an Adult and Community Education (ACE) provider and a large enterprise-based provider. These organisations were drawn from all states and the Australian Capital Territory, while the enterprise-based training provider delivers training across Australia. Each participating RTO was selected because it was representative of the diverse organisations that populate the sector - small and large, metropolitan and regional, geographically dispersed, dual sector and nationally-focussed.

Informants within individual RTOs came from four different levels within the structure: the chief executive officer, two senior managers, two middle managers or supervisors and two work teams which worked directly to the middle managers involved in the study. In total, 43 interviews and 16 focus groups were conducted.

Data Collection

Semi-structured individual interviews with the chief executive officers, and interviews (some joint) with senior managers and middle managers were supported by participant questionnaires designed to focus the informants’ thinking. Where available,
documentation relating to organisational visions, missions and values together with organisational charts outlining structures was collected. Material was also accessed from the websites of each of the organisations.

The literature review which provided the base information for the study drew on material from a variety of fields including organisational theory, organisational behaviour, management and change management.

**Data analysis**

Semi-structured interviews and focus group interviews were recorded and transcribed. From the transcripts, major themes relating to the research questions and sub-questions were identified. These themes were then populated by supporting detail from the transcriptions, questionnaires, the organisational documents and researcher observations. Cross analysis of this information was carried out to identify consistencies, variations and interrelationships between various levels of managers and between work teams, as well as between provider types.

**Structure – diverse responses**

In an attempt to enhance flexibility and meet the challenges of rapid change and increasing complexity, organisations in business and education have shifted from hierarchical, bureaucratic structures to more organic, flatter, matrix or network structures characterised by empowered teams coordinated by vision or purpose rather than policies and procedures. The major impetus for these reconstructions is the need to develop the organisational agility to focus on clients as core business.

**Incremental adjustments or structural upheaval**

It is suggested in the literature that structural rejuvenation does not necessarily have to take on the form of wholesale restructure, but opportunities need to be provided for parts of organisations to adjust as needed and in a manner that supports flexibility and innovation. This approach would appear to be supported by the organisations in this study as most had undergone varying degrees of structural change in an ongoing way over the last decade. These changes ranged from a number of partial restructures; the amalgamation of a number of TAFE colleges into a larger organisation; the drawing together of TAFE colleges and a university to form a dual sector organisation; various reconfigurations of campuses, geographic focuses and functions through to complete systemic upheaval and restructure.

In this latter instance, a smaller TAFE institute is moving from a highly traditional, hierarchical and bureaucratic structure where power resided with the institute director to a larger structure that is designed to better support innovative and entrepreneurial activity on a grand scale. The sheer size of the restructuring activity has determined that the final structure will not be in place for at least eighteen months. More importantly, there is a considerable degree of uncertainty about exactly what shape the new organisation will take.

Of all of the participating organisations, only the private provider has retained its original compact shape, seen to be so appropriate to a small entrepreneurial organisation.

**Devolved decision making – empowerment and responsibility**

In examining the structural changes being made by these organisations, the most common adaptation nominated by large public providers was the introduction of teams in various forms. Semi-autonomous teams, self-directed teams or cross-functional teams are seen to have greater capacity to work closely with clients and to respond quickly to
the changing demands for training that are being placed upon them. In initiating such teams, senior and middle managers have empowered teams to manage budgets, generate business and to develop innovative training strategies.

In the most comprehensive example of this approach, ninety-two enterprise delivery teams, each led by a team leader, are responsible for the public provision of ‘responsive, relevant and client-focussed’ education and training services across the state. With an emphasis on ‘enterprise’, this organisational reconfiguration not only provides a greater degree of flexibility, it also ensures that the responsibility for servicing the training needs of various businesses rests with teams of teachers in enterprise workplaces.

The beauty of this structure is that if you get it right, if you can get the team leaders to a level of capability and the teams to a level of capability they can make really good decisions within boundaries, about how to respond to their clients (Public provider C).

In contrast, the ‘repositioning’ of another large metropolitan public provider initially saw a good deal of the management responsibility pushed upwards, but the Chief Executive Officer (CEO) is now trying to push that responsibility back down by encouraging others at a lower level to take greater responsibility. The philosophy underpinning this approach is the concept of a “team of teams” with a cabinet-style executive management team at the head.

An outcome of this empowerment and devolved decision-making, however, has been extended roles, increased responsibility and greater accountability for the teams and particularly their team leaders.

**Collaboration: Breaking down the silos**

A theme that was consistently raised by senior managers particularly in large RTOs was the need to break down the silos or remove the barriers that exist between various parts of their organisations. Cross-functional and cross-organisational activities are seen to be a way of operating more efficiently while generating greater responsiveness to client demands for tailored training. A number of senior managers suggested that by bringing together disparate people, ideas and experiences from across their organisation they could not only build better working relationships; they could make more informed decisions and hopefully, increase organisational performance.

One TAFE institute for example, was looking at ways to remove some of the ‘complications’ associated with working across faculties, particularly in relation to the management of client relationships. Similarly, looking at the organisation from the customers’ point of view was a strategy employed in the reconfiguration of another organisation with a key outcome being the integration of educational programs and student services. As a consequence, ‘the structure integrates the educational aspect in everything they do’.

Cross organisational activities are also seen to be a key strategy in bringing together diverse cultures and ways of working that come with the merging of different institutes into one new organisation. For one TAFE – an amalgamation of three TAFE colleges – this process of breaking down silos has involved the establishment of study area networks. These networks engage practitioners wherever they are delivering, coming together on a regular basis to share resources and undertake professional development activities. The goal is to blur existing structural and cultural boundaries and encourage the development of unitary focus across the disparate groups.

Within the dual sector organisation with its marked ‘structural divide’, the two teams that informed this research provided clear evidence of how powerful cross-organisational collaboration could be in overcoming the barriers between various parts of the
organisation. For example, one team considered that they had broken down the barriers between ‘them’ and ‘us’ (TAFE and Higher Education) and suggested that they were ‘the bridge’ between the different sectoral components of the organisation.

**New visions of organisational structure**

Organisational charts and descriptions by senior managers provided clear evidence of the diverse ways that organisational structures are now being viewed in a number of the RTOs examined. While only a few exhibited the hierarchical box and line format, others spoke of new shapes for new ways of working and new ways of thinking.

For example, one organisation has turned the traditional organisational chart on its head.

When you look at the picture of our organisation, you see the top line is our students, our clients and the Board. Then the next layers are our teachers. The hierarchy as it was in the old days sits at the bottom of our structure with the general managers and the CEO - the most accountable people in the organisation, bureaucratically – are right on the bottom. … The reason we went in that direction was to convey a really clear message about what’s important – and who’s important… and where the focus is.

At the same time it is also acknowledged that this is not seen as a static structure, but one that will be adjusted when required to meet the ‘white water’ of change in which the organisation is constantly working.

The structure of another TAFE is promoted as an ellipse containing a series of balls representing the Education and Training professional teams and the Organisational Services and Planning and Resources professional teams. The explanation given by the Managing Director for such an approach was that boxes and lines send a message that the organisation works in boxes and lines, using balls on the other hand sends the message that the organisation is ‘flexible, mobile and responsive’. Thus, not only does the organisational chart describe the structure of the organisation, it is designed to send a clear cultural message as well.

In similar vein, another organisational chart is circular with students, teachers, head teachers and coordinators at the core, surrounded by the functional units clearly focused on the core business - Operational Support for Teaching and Learning, Educational Support for Teaching and Learning, Business Support for Teaching and Learning and People Support for Teaching and Learning.

**Experiences of organisational culture**

As would be expected with information drawn from disparate organisations and from people at varying levels within those organisations, the research revealed patterns of both cultural unity and diversity across the sample.

**Differing perspectives**

In the group of seven TAFE institutes there was uniformly a disjunction between the experience of organisational culture at the work team level and management levels, even in the most unified and harmonious of institutes. Work teams typically saw their team cultures as being student and community-focused. They were proud of their professionalism, supportiveness and achievements. However, they frequently felt at odds with senior management who were seen to be dollar driven, more concerned with budgets, marketing, processes, targets, audits, compliance, strategic alliances and external environments rather than with education.
Senior managers and CEOs clearly articulated broad views of culture in their organisations which were largely shared by all levels of their organisations. However, the interviews also confirmed the work team views that senior managers and particularly CEOs were indeed strongly focused on government pressures, commercial necessities and industry demands. They were also focused on barriers to organisational effectiveness such as industrial relations and human resources constraints or the unevenness and slow speed of change throughout organisations.

The TAFE middle managers – typically the link between work teams and senior managers and CEOs – were not as involved in these cultural disjunctions. They were more involved in the practical expression of culture and culture change. They typically mentioned the ‘them and us’ conflicts in organisations more often than CEOs did, and talked about means to resolve conflicts. They recognised poor management but were optimistic it could be improved and spoke about how to do this.

Interviews in non-TAFE RTOs presented a more unified view across levels, possibly because they tapped into less diversity of opinion than in TAFE institutes. The small ACE organisation visited lacked the complexity of the large TAFEs, with no middle manager level interviews recorded. Interviews there showed a congruence between the work team and management levels in both their perceptions of their organisation’s culture and the pace of culture change.

The large enterprise RTO and the small private provider visited, also expressed unified views of culture. In the large enterprise RTO, only the CEO was interviewed, and he said that a unified culture was an organisational goal. He spoke of methods of working across brand ‘silos’ for a unified culture which was the focus of a new 5 year strategy about to be released. In the small private provider both the work team and joint CEOs were interviewed, and their views of culture were similar: professional, flexible, and people-centred. The CEOs suggested that they themselves represented the culture – and the work team agreed.

**Multiple cultures**

Interviews at all levels of the seven TAFE organisations visited for this research showed a widespread acceptance of multiple cultures. When asked to describe their organisations’ cultures, interviewees used words indicating multiplicity: huge, diverse, complex, confused, fragmented, forming and transitional.

The multiplicity of cultures was based on vocational difference: typically the ‘tribal’ or ‘blokey’ cultures of trades areas contrasted with the ‘soft’ cultures of access and equity areas and community studies. Interviewees also spoke of multiple cultures being aligned with disciplines, client groups, industries or faculties – and even with gender. As well, cultural variation was often linked to individuals, their work and work ethics, standards, approaches, personal management and leadership styles, cohorts, and age groups.

Interviewees made frequent references to multiple cultures which had considerable stability of boundaries and which contributed to the formation of compartmentalised sectors or ‘silos’ in organisations. For example, faculties were typical cultural silos. However, they also referred to the idea that cultures cut across each other so that workers could belong to a number of different cultures simultaneously. For example, members of a trade culture in an organisation could also belong to either a dynamic culture or a change-averse culture.

A number of culture (or sub-culture) types within TAFE organisations were repeatedly described. They were:

- Geographically based cultures
Historically influenced cultures
Ethos based cultures
Learner defined cultures
‘us and them’ cultures
Strata cultures

In TAFE organisations, multiple cultures were seen to be irrelevant to how an organisation was perceived from the outside.

However, many interviewees admitted positive gains in having multiple cultures within organisations. Multiplicity enabled diverse educational approaches appropriate for different vocational areas, different industries and different geographical areas; it provided opportunities for celebrating the achievements of those who do things differently; and it offered potential for showing what could be done (or what should not be done).

Yet other interviewees warned that multiple cultures could become a weakness if they were not sustained by good internal process or became a source of tension. For example, if cultures became constituencies based on ‘historical baggage’ of power or power maintenance, rather than working on creating a functional and integrated organisation, this could harm the organisation. Likewise multiple cultures could be a weakness if they became closed cultures holding onto knowledge and what they had developed, rather than offering opportunities, taking risks, and allowing understanding of, or movement between cultures.

Interviewees recognised the existence of over-arching organisational cultures, in descriptions sometimes in positive terms such as professional, loyal, can-do and nimble, but at other times in negative terms such as change averse, bureaucratic and blokey.

There was a general recognition that an overarching culture needed to have a critical weight to balance multiple cultures.

The only organisation researched which reported no real multiplicity of cultures was the small private training provider which depended on a unified focus for its existence.

**Challenges of organisational culture**

Interviewees recognised that organisational culture posed challenges to organisational effectiveness – and capability.

For example, reconciling cultural goals with reality was cited as a prime challenge. One interviewee described the ‘inevitable’ gap between espoused and lived cultures. On any one day people could point to behaviours that were not consistent with the culture that was espoused. The challenge for an organisation was to communicate, discuss and become comfortable with ambiguity to help people live with the inconsistency between espoused and lived cultures, rather than see it as hypocritical and become cynical about the organisation.

Achieving some sort of cultural balance was also a prime concern, whether this was balancing the strengths of multiple cultures with the destructive effects of ‘us and them’, or balancing multiple cultures within a unifying culture. The particular balance between a unity of culture and the diversity of culture was an expression of the individuality of each RTO visited, and a measure of the effectiveness of the way all levels of an organisation met this particular organisational challenge.
Structure, culture and their impact on capability

In the Australian context of VET, capability has been described as the ability of an organisation to effectively meet its business objectives (ANTA, 2004). The working definition used for this project utilised the following definition:

**Capability** of an organisation consists of its members’ competencies, whether professional, functional, skills-based, social or leadership. It also consists of the organisation’s ability to undertake, through its employees, productive activity that is greater than any single contribution. These ultimately affect the business and educational outcomes of an organisation. Culture and structure are two of the factors that impact on organisational capability.

Both the literature review and the interviews with individuals and focus group members across the RTOs confirmed a lack of clear definition between terms such as capability, capacity and performance; with capability and performance often being used interchangeably.

**Differing perceptions of impact**

Across all interviewees, the link between cultural and/or structural change with organisational capability was almost universally accepted. However, the views on the relative effects of cultural or structural change on capability varied considerably.

The CEOs of all the organisations considered that the cultural or structural change that their organisation had undergone had impacted positively on their organisation’s capability; some went so far as to comment that the effect of change was to make them far more capable. Some TAFE executives tended to talk in terms of income generation, performance and meeting KPIs, while others cited being ‘significantly closer to employers’ and ‘having greater credibility with employers’, or being ‘recognised by industry and communities as providing appropriate education and training to them’.

The executives of non-TAFE organisations tended to view cultural and/or structural change and its impact on capability also in a very positive light. They referred more to capability in terms of efficiencies and responsiveness, speed of decision making as well as increased performance with an emphasis on increasing ‘personal responsibility’ of individuals.

**Capability and the future**

The research also sought the opinions of all categories of informant on what changes in either culture or structure would help further build capability of their organisation or work group. As would be expected, most senior managers across all public training providers were strongly focussed on future government policy initiatives, business imperatives, industrial relations issues and the need to constantly adapt to meet changing demands. One CEO warned of ‘change for change sake’ whereas another considered that change was inevitable.

CEOs recognised that the future success of their organisation was based on their people’s talents. Capturing the essence of this view one CEO argued:

> When you empower people, put decision making down there, when you encourage innovation, and give them resources to respond to their customers ... and put the right people into management positions to support and encourage it right through...the future is in good hands.

Work teams too were able to articulate an organisation that they aspired to in the future. Many listed cultural and structural attributes they considered were essential to enhanced capability. These included:
A strong sense of all working in the one organisation
Cross functional teams as an accepted way of working
Closer linkages and open communication between the different levels of the organisation
Greater interaction between management and workers
Breaking down the sense of isolation and encouraging sharing of ideas across the whole organisation
Increased empowerment of people at lower levels and a more collaborative approach to work.

In summary, work teams articulated a sense of team, a sense of self worth and being valued and recognised for good performance.

Conclusion
Senior management and work teams in this study all acknowledged the importance of developing sophisticated responses to the demands by government, industry, communities and individuals for greater flexibility and innovation in the delivery of vocational education and training. They also recognised that rigid bureaucratic structures and organisational cultures posed challenges to organisational capability. As a consequence, structural adjustments and cultural shifts were underway in each of the RTOs in this study. Team-based approaches, increased empowerment, devolved decision-making and cross-organisational collaboration were seen as key structural strategies for generating the flexibility so essential to the new ways of working with clients. Cultural shifts were reflected in an increased focus on clients as core business, as well as a more innovative and enterpreneurial approach to the delivery of vocational education and training.

References
ANTA, 2004, Enhancing the capability of VET professionals project: Final report, ANTA, Brisbane.
— 1985, Organizational culture and leadership, Jossey-Bass, San Francisco.