

Changing shapes, changing mindsets: the evolution of Australia's RTOs

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Abstract

Literature on organisational structures and cultures suggests that for organisations to successfully meet the demands of their ever-changing environment, they will need to be flexible, adaptable, agile and responsive. Teamwork and other structural innovations that overcome the limitations of the traditional bureaucratic form are seen as ways of the future. In concert with this changing view of structures, the focus of organisational change is moving from 'planning change' to 'facilitating emergence of change'- transforming cultures rather than conforming or reforming them. This paper reports on Research Activity 4 *Assessing the impact of cultures and structures on individual and organisational capability* in the consortium research program *Supporting VET providers in building capability for the future*. Using individual interviews with managers and group interviews with work teams, this study examined the ways in which diverse cultures and various structural configurations influence the capability of both work teams and organisations. The paper provides examples of how ten RTOs are adapting their structures and transforming their cultures to better address government, industry and community demands.

Introduction

Registered Training Organisations (RTOs) in the Australia are currently under significant pressure to change how they deliver vocational education and training. With national skill shortages, businesses are calling for more than the conventional institution-based approaches to skill development. At the same time, government is demanding that training providers adopt innovative and flexible approaches to better meet the needs of clients. Acknowledging these imperatives, many RTOs are changing from traditional hierarchical structures to organisational shapes that allow greater organisational agility and responsiveness. Cross-organisational collaboration and teamwork are key strategies in these new structural forms. In parallel with these adaptations, cultural shifts are being encouraged which mark a clear transition from the concept of public service to a focus on enhancing capability, commercial viability, innovation and entrepreneurship in the delivery of vocational education.

Context of the study

This study forms part of a much broader program of research which is examining various workforce issues impacting upon Australia's RTOs. Entitled *Supporting VET providers in building capability for the future*, it is funded by the Department of Education Science and Training and managed by the National Centre for Vocational Education Research.

The purpose of the research activity covered in this paper 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 organisational structures shape what is possible within RTOs and to identify strategies for adapting structure and changing cultures. Within this context, the following research questions were framed:

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

Literature review

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 for enabling 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

Research methods

The research methods used in this study were a review of the relevant literature, semi-structured interviews and focus group interviews. Participant questionnaires were also developed to support all interviews. A review of key organisational documents such as strategic plans, people plans and websites was undertaken and interviewer observations sheets were also used in support of the main data collection.

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.

Finally, 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.

Organisational culture: changing mindsets

As would be expected with information drawn from such disparate organisations, the research revealed patterns of both cultural unity and diversity across the sample. Of particular interest, was the variation of opinion coming from people at different levels in the one organisation.

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 generally 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. Cultural shifts were seen to be essential if their organisations were to effectively address the demands being placed upon them from government, industry and their communities.

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.

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 in all but the enterprise RTO, the work teams 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.

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.

Organisational culture: the challenges

Interviewees recognised that organisational culture posed challenges to organisational effectiveness – and capability. As a consequence, there was often discussion on shifting existing mindsets in order to take on the challenges of the future.

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.

Organisational structure: changing shapes

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 reconfigurations 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 idea was supported by the organisations in this study as most had undergone some structural change in an ongoing way over the last decade. Changes ranged from 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

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 more closely with clients and to respond quickly to the changing demands. 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.

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 consistent theme 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.

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, however there was acknowledgement that it was not 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. In a 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.

From these examples, it is evident that the humble organisational chart not only describes the structure of an organisation, it is designed to send a clear cultural message as well.

Structure, culture and organisational 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). 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. 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 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 study also sought views 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. 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 sense of team, a sense of self worth and being valued and recognised for good performance.

Conclusion

Informants from all organisations and levels acknowledged the importance of developing sophisticated responses to the demands by government, industry, communities and individuals for greater flexibility and innovation in the provision of VET services. They also recognised that rigid bureaucratic structures and organisational cultures posed challenges to organisational capability. In light of these views, 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 entrepreneurial approach to the delivery of vocational education and training.

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