

SECTION 1 IS AN INTRODUCTION TO THE GUIDE AND TO ORGANISATIONAL STRUCTURING. THE SECTION CONTAINS THE FOLLOWING:

- **CHAPTER 1: INTRODUCING THE GUIDE**
- **CHAPTER 2: UNDERSTANDING ORGANISATIONAL STRUCTURE AND DESIGN**
- **CHAPTER 3: THE REGULATORY FRAMEWORK**
- **CHAPTER 4: ORGANISATIONAL STRUCTURING PROCESS**
- **CHAPTER 5: TROUBLESHOOTING AND FREQUENTLY ASKED QUESTIONS**



CHAPTER 2

UNDERSTANDING ORGANISATIONAL STRUCTURE AND DESIGN



CHAPTER 2

2. UNDERSTANDING ORGANISATIONAL STRUCTURE AND DESIGN

2.1 INTRODUCTION

This chapter aims to shift our thinking of organisational structures beyond the boxes on the organogram. It is important for practitioners to develop an appreciation for and understanding of the philosophy that underpins the practice of organisational design and to locate their work in a broader context.

The chapter covers the following:

- What is organisational structure?
- Why do we need effective organisational structures?
- What principles should inform organisational design?
- Towards a philosophy for organisational structuring

2.2 WHAT IS ORGANISATIONAL STRUCTURE?

There are many definitions of organisational structure.

- A useful way of viewing organisational structure is to see it as the configuration of the organisation so that it can achieve its goals.
- Organisational structure defines how work or tasks are organised and allocated. Structure can be used to standardise work or to create specialised functions.
- Organisational structure defines positions in the organisation and the relationship between these positions. In doing so, organisational structure defines particular position of the decision making and authority in organisations.
- Organisational structure creates a framework for order and for the coordination of the myriad of tasks that are carried out in the organisation. Organisational structure is a vehicle through which managers can plan, organise, direct and control the activities in the organisation.
- Organisational structure is the end result of the process of organisational design. In other words, organisational design is the process of structuring or restructuring an organisation.

2.3 WHY DO WE NEED EFFECTIVE ORGANISATIONAL STRUCTURES?

Effective organisational structures in the public sector matter to the nation, the government, public sector organisations, and the individuals employed in these organisations. If we are to design effective organisational structures, we need to understand the interests of these players.

The national interest

Public sector organisations exist ultimately to provide value to its shareholders, namely, the citizens and residents of the country. The outputs delivered by public sector organisations, whether they are protection services, grants, identity documents, or regulatory outputs such as policies and legislation, must contribute to the “common good”. A public sector with effective organisational structures is therefore essential for delivering value to its shareholders, the citizens.

The government’s interest

The government needs the public sector to implement its strategic priorities so that it can deliver on its electoral mandate. The South African government has set itself a number of priorities and initiatives for the Second Decade of Freedom that make effective structures for public sector organisations an imperative.

These priorities include:

- Accelerated and shared growth of the economy.
- Halving poverty and unemployment by 2014.
- Improving safety and security for all.
- Fighting corruption.
- Deepening democratic governance.
- Peace, security and development on the African continent.

These priorities and initiatives should be understood within the broader context of the developmental state. The developmental state means that the state intervenes in the economy and in society for the “common good”. In the South African context this means that the state actively seeks to address poverty, inequality and underdevelopment through a range of interventions such as Comprehensive Social Security, the Expanded Public Works Programme, the Community Development Worker Programme and SMME support programmes. The developmental state seeks to draw millions of people from the Second Economy into the First Economy. Importantly, the developmental state prioritises poor people and sees them as active agents in their own development.

Many of the interventions are conceptualised by government clusters or sectors and cut across departmental boundaries. Not surprisingly, one of the key features of the developmental state is the push factor towards integrated planning and integrated service delivery.

The developmental state needs a well-organised machinery to respond to these initiatives and drive the implementation of these priorities. Some of the implications of the developmental state for organisational structure and design appear in the table below.

Objective	Implications for organisational structure
Push towards integrated service delivery	Public sector organisations need to be designed in a way that delivers integrated or seamless service across the three spheres of government . Service delivery also needs to be integrated or coordinated between departments or organisations within the respective spheres of government.
Exploring innovative service delivery models	Public sector organisations need innovative service delivery models to respond to the needs of poor people who are a priority for the developmental state. Multipurpose community centres, one-stop service points and public-private partnerships are some of the models in use.
Engaging citizens as active agents in their own development	Organisations need to engage users and beneficiaries of services as active rather than passive recipients of services. This means building in structures to consult citizens about the services they need and how best to deliver them; as well as creating structures for monitoring and evaluating citizen satisfaction .
Working in interdepartmental teams	Demands for integrated or seamless service will increasingly require public sector organisations to structure themselves to plan and deliver in interdepartmental teams .
Empowering front-line staff	Daily transactions between citizens and the state occur through front-line staff. The responsive service delivery envisaged in the developmental state requires an organisational design that empowers staff with information, skills and an appropriate level of authority to make decisions.
Fostering an ethos of service	Organisational structure needs to direct the behaviour of officials towards service to the public (as opposed to becoming a self-serving elite).

Public sector organisations' interests

A government department or institution needs effective organisational structures to deliver on its mandate and on the priorities set by government. In practical terms this means that:

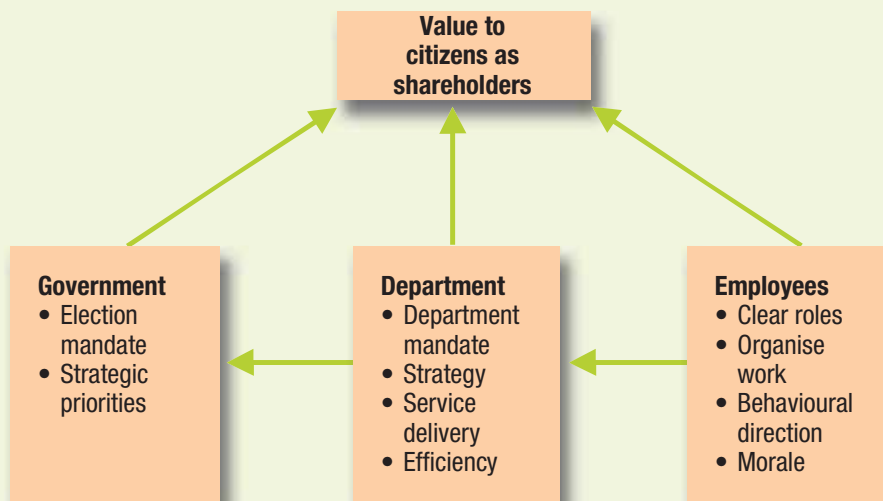
- An effective organisational structure is necessary to implement the strategic plan of the department. If the structure is not aligned with the strategic plan of the department, the department is not likely to achieve its objectives.
- An effective organisational structure is necessary for effective service delivery. Structures are the vehicles through which services are delivered.
- An effective organisational structure can assist with efficiency and the optimal utilisation of resources. How the organisation is structured influences how financial and human resources are allocated and used. Duplication of roles and work, delays in decision making, unequal workloads and under- or over-budgeting for activities can result from poor organisational structure.
- An effective organisational structure is necessary for staff morale. The way in which the organisation is structured will influence the morale, energy, and enthusiasm of the employees.
- An effective organisational structure can assist in fostering the appropriate organisational culture for delivering on the mandate and strategic priorities.

Employees' interests

Individuals and teams need effective organisational structures. An effective organisational structure:

- Provides individuals with a clear definition of their roles in the organisation and where they fit into the organisation.
- Helps individuals and teams to organise their work and achieve their goals.
- Provides individuals with clarity on decision making structures and processes in the organisation.
- Directs individuals towards the kind of behaviour expected of them in the organisation.
- Serves as a positive influence on staff morale.

The diagram below shows how effective organisational structure serves the interests of the different role players.



2.4 ORGANISATIONAL DESIGN PRINCIPLES

There are no prescribed organisational design principles for the public sector in South Africa. We can, however, derive organisational design principles from our understanding of why we need effective organisations in the South African public sector. The table below sets out some principles that can guide the design of our public sector organisations. These principles are mutually reinforcing and should not be applied in isolation.

Principles	Considerations
Constitutional values of public administration	<ul style="list-style-type: none"> • The values and principles in Chapter 10 of the Constitution should inform organisational design. This means that organisational design should promote for example, fair and equitable service delivery; efficient and effective use of resources; transparency; and accountability.
Focus on strategic priorities	<ul style="list-style-type: none"> • Organisational design should be informed by and be responsive to the strategic priorities of government and the department/institution. Priorities in all three spheres of government need to be considered. • Reference should be made to the principles as contained in the National Spatial Perspective. • In the provincial sphere the Provincial Growth and Development Strategies (PGDS) define provincial priorities and in the local government sphere the Integrated Development Plans (IDP) reflect local government priorities.

Principles	Considerations
People first (Batho Pele)	<ul style="list-style-type: none"> Organisations should be designed with the users and beneficiaries of services in mind. Organisational design should also take into consideration the different types of citizens and how to meet their different requirements.
Intergovernmental relations and cooperative governance	<ul style="list-style-type: none"> Organisational structure should foster sound intergovernmental relations and cooperative governance. Organisational design should aim to break down “silos” or “stovepipes” in government rather than reinforce them. This means that organisational design needs to be done within the ambit and spirit of the Inter-governmental Relations Framework Act and the Constitution. It also means designing for integrated service delivery across the three spheres of government and amongst public sector organisations within the respective spheres of government.
Global perspective	<ul style="list-style-type: none"> Organisational structures should be responsive to South Africa’s role in the global economic, social and political arena. This means designing organisations to respond to the NEPAD/AU and SADC agendas; the UN obligations; and other multilateral institutions, for example IBSA, the G77 and the G20.
Foster professionalism and service ethos	<ul style="list-style-type: none"> Organisational structure should promote building a professional cadre of civil servants required to achieve the goals of the developmental state. This means designing the organisation to direct behaviour that is consistent with the Constitutional values of public administration. It also means that organisational design should strengthen human capital in the public sector.
Foster learning and innovation	<ul style="list-style-type: none"> Organisational design should foster learning and innovation, particularly in service delivery. This means that organisational structures should enhance internal and external communication; and encourage information sharing and knowledge management.

2.5 TRENDS IN ORGANISATIONAL DESIGN

There are seven important shifts in emphasis that are shaping the organisation of the future:

- From fat to lean = the new staffing principle.
- From vertical to horizontal = the new organisation.
- From homogeneity to diversity = the new workforce.
- From information hoarding to knowledge sharing = the new power source.
- From company to project = the new loyalty.
- From physical assets to intellectual property = the new value proposition.
- From stabilisation to capacity to change = the new base for business success.

The way in which organisations are structured has shifted from closed hierarchies to open, networked formats. Let's look at these shifts in more detail:

Conventional model	Emerging model
<ul style="list-style-type: none"> Individual position/job as basic unit of organisation. 	<ul style="list-style-type: none"> Team as basic unit (team roles becoming more fluid, based on multiskilled individuals).
<ul style="list-style-type: none"> External relationships dealt with by dedicated specialists, namely public relations officers. 	<ul style="list-style-type: none"> Densely networked internally and with the environment (individuals responsible for building own relationships).
<ul style="list-style-type: none"> Vertical flow of information. 	<ul style="list-style-type: none"> Horizontal and vertical flow of information.
<ul style="list-style-type: none"> Decisions come down, information flows up (purely central). 	<ul style="list-style-type: none"> Decisions made where the information resides (decentralised as far as possible).
<ul style="list-style-type: none"> Hierarchy (deep structures). 	<ul style="list-style-type: none"> Flat (larger span of control, empowered staff, information sharing).
<ul style="list-style-type: none"> Emphasis on structure. 	<ul style="list-style-type: none"> Emphasis on process.
<ul style="list-style-type: none"> Control-oriented (rules and standard procedures to manage risk, increase predictability and fairness). 	<ul style="list-style-type: none"> Self-organising-oriented (results and outcomes-oriented) (less red tape, more projects, communities of practice, "do what needs to be done").
<ul style="list-style-type: none"> Fixed hours. 	<ul style="list-style-type: none"> Flexibility (flexihours, part-time).
<ul style="list-style-type: none"> Upward career path. 	<ul style="list-style-type: none"> Flexible career paths (not only managerial).
<ul style="list-style-type: none"> Standardised evaluation and reward system. 	<ul style="list-style-type: none"> Customised evaluation and reward systems based on output, type of team, type of measures.
<ul style="list-style-type: none"> Single strong culture with expectation of homogeneous behaviour. 	<ul style="list-style-type: none"> Diversity of viewpoints and behaviour (there is still a strong emphasis on values which ensures common direction of behaviour).
<ul style="list-style-type: none"> Local value chain (all in-house). 	<ul style="list-style-type: none"> Value chains crossing borders and organisations (outsourcing, networking).

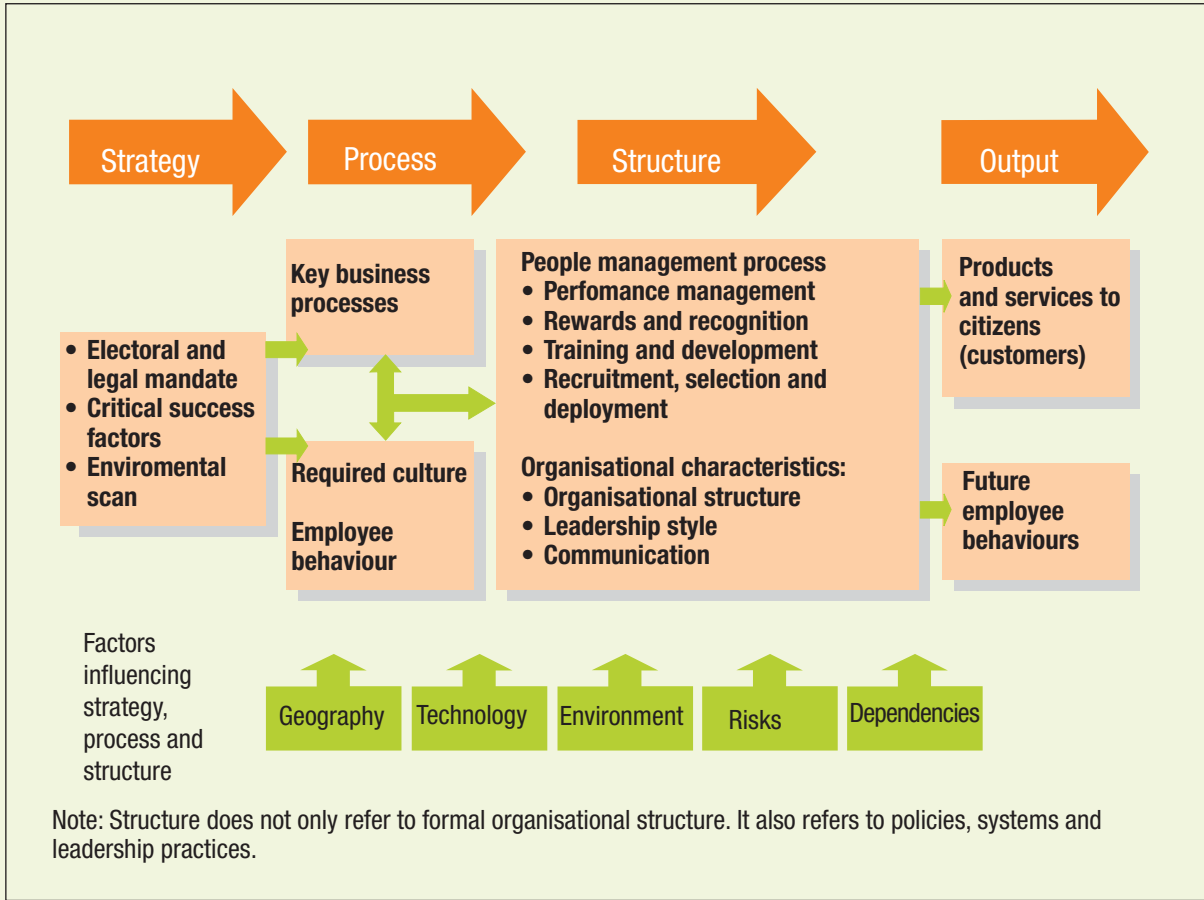
These are models and trends and not all would be applicable to your organisation's circumstances or the context of the South African public sector. For example, it is unlikely that a lean public service can deliver effectively on the priorities of the developmental state.

2.6 TOWARDS A PHILOSOPHY

2.6.1 STRUCTURE FOLLOWS PROCESS FOLLOWS STRATEGY

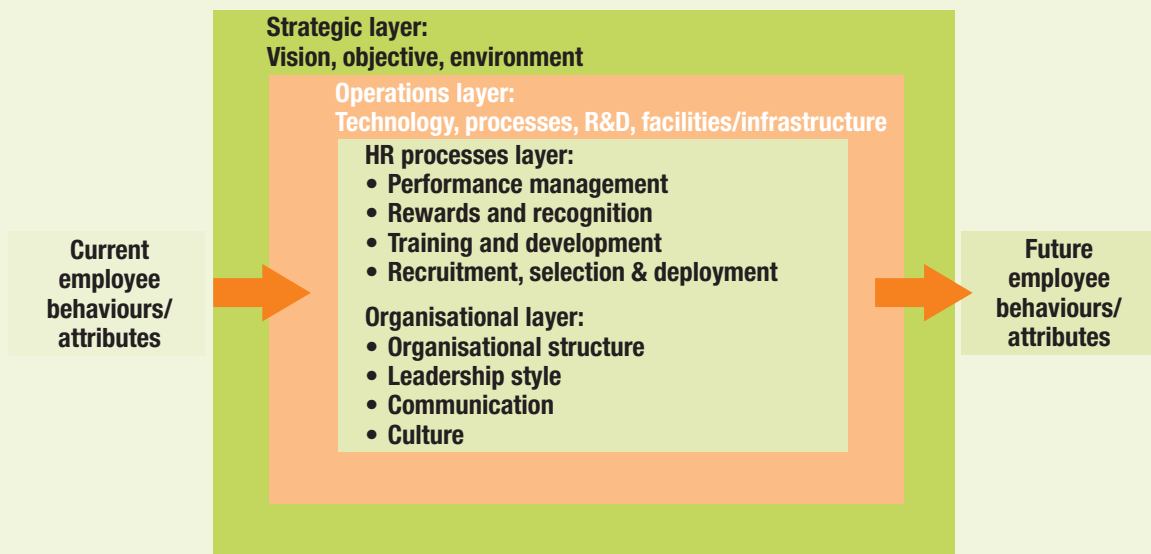
There is a tendency to design organisational structures without careful consideration of the organisation's strategy or what it is trying to achieve or improve. An organisational structure is not an end in itself, but a means of achieving a particular strategy or delivery of outputs (goods and services). The rationale for any structuring intervention should be to address a strategic need or to improve the performance of the organisation. The suggested sequence of events for restructuring is as follows:

- **First** review your strategy or identify the problem.
- **Secondly** you need to understand which business processes the organisation, the unit, or the team would need to perform or improve.
- **Thirdly** consider structure as a possible solution to the strategy or process improvement requirements.



2.6.2 ORGANISATIONAL STRUCTURE DIRECTS EMPLOYEE BEHAVIOUR

Formal and informal organisational structures direct employee behaviour. For example, if there are no team structures in the organisation, people will behave as individuals. If hierarchy is very important then information flow will tend to be slow.



2.6.3 ALL STRUCTURING HAS A SOUND BUSINESS CASE

When considering a possible restructuring of the department or unit, it is always a good idea to think about the benefits and the risks associated with the new structure. Only if the benefits outweigh the risks, should you proceed to restructure. A sound business case provides adequate answers to the following questions:

Questions to be addressed in a business case	Description of typical content	Corresponding heading of the business case as indicated in Chapter 3
What is the reason for considering a structure change?	<ul style="list-style-type: none"> • A clear statement of the reason for the structural change decision: <ul style="list-style-type: none"> o A performance problem? o A change in strategy? o A change in mandate? o A new business unit, department, team? 	<ul style="list-style-type: none"> • Background
Why is organisational structure regarded as a solution?	<ul style="list-style-type: none"> • A clear indication why the problem or strategy requirement can be addressed through a structural change as opposed to other options, for example training, outsourcing, changing the strategy, or adjusting HR systems. 	<ul style="list-style-type: none"> • Background • Alternatives to restructuring
What is the proposed structure?	<ul style="list-style-type: none"> • Providing a clear indication of the formal and informal structure. The formal structure can be seen in the organogram, and the informal or governance structures are all the meetings, forums, policies, committees, teams etc. which are required to deliver on the value proposition to the citizen. 	<ul style="list-style-type: none"> • The proposed structure
What are the benefits of the structural change?	<ul style="list-style-type: none"> • This section should indicate the financial and non-financial benefits and how the structure will improve service quality to the citizen, speed (internally and to the citizen), cost (reduction or improved return on capital employed), volume or any other KPI of the organisation. 	<ul style="list-style-type: none"> • Impact of new structure • Benefits
How will the structure be implemented?	<ul style="list-style-type: none"> • What are the implementation considerations for implementing the structure? This includes: <ul style="list-style-type: none"> o How the change and impact on people will be managed. o What communication will have to take place. o What training will be done. o Where and when implementation will take place. 	<ul style="list-style-type: none"> • Impact of new structure • Risk assessment • Implementation plan
How will the success and benefit be measured?	<ul style="list-style-type: none"> • How will we make sure we know if the structure is effective? Typical measures to consider: <ul style="list-style-type: none"> o Decision making cycles. o Information lead time (how long do we wait for information). o Reduction in duplication in jobs. 	<ul style="list-style-type: none"> • Monitoring and evaluation • Review and sign-off