



**Australian Government**  
**Australian Public Service**  
**Commission**

# THE APS FRAMEWORK FOR OPTIMAL MANAGEMENT STRUCTURES

—guidelines for HR practitioners



This guide has been developed by the Australian Public Service Commission (APSC) to assist agencies to implement the *APS Framework for optimal management structures* (the Framework).

***The Guide is in three parts.***

- PART A outlines the context and benefits of change. It also describes how the Framework was developed.
- PART B describes the Framework, providing design principles and benchmarks for organisational layers and direct reports.
- PART C provides guidance to agencies on how to implement the Framework.

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## PART A - Introduction

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### Context

1. The Secretaries Board has agreed to a Framework for establishing optimal management structures in APS agencies. The Framework is based on five design principles that reduce the number of organisational layers and increase the number of direct reports.
2. The Framework was developed by the Deputy Secretaries Efficiency Working Group. Their work takes account of the findings of the National Commission of Audit Report<sup>1</sup> that APS staffing structures were top heavy and that there was an opportunity for agencies to improve productivity through improved structures and systems.
3. Overly complex management structures are expensive, but the imperative to change is not cost. The benefits of flatter management structures and increased spans of control include improved decision making, accountability and communication. They can maximise resource use, encourage innovation and support capacity for change.
4. The Framework is designed to drive performance and achieve sustainable change. It will assist agencies to align management structures with strategy and build workforce capability into the future.
5. The Framework will enable agencies to identify opportunities for improvement and create structures that are best placed to support government priorities into the future in the context of individual business needs and operating environments.
6. Successful application of the Framework will require a clear understanding of business strategies to meet future needs. It will also require change to underlying business processes and should be considered in the context of organisational design more broadly.
7. **To implement the Framework, the Secretaries Board has agreed that all agencies will:**
  - conduct a self-assessment of their existing management structures against the Framework's principles and benchmarks; and
  - develop a plan to achieve improved management structures over a 3 year period from 2015 to 2018.
8. A summary report on progress towards improved structures will be compiled annually by the APSC.

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<sup>1</sup> Towards Responsible Government- Report of the National Commission of Audit: Phase Two, March 2014.  
APS Framework for optimal management structures – guidelines for HR Practitioners  
Australian Public Service Commission July 2014

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## Benefits

9. Management structures with fewer organisational layers and broader spans of control improve productivity and support change because they can:
  - streamline decision making by bringing top executives closer to those with detailed understanding of the issues;
  - encourage innovation by reducing the number of layers through which an idea must progress;
  - enhance accountability by removing management duplication and making individual roles and responsibilities clearer;
  - support the appropriate management of risk: decisions are made closer to where information is held;
  - improve communications and change management: there is a more direct route for receiving and relaying corporate messaging;
  - promote employee engagement by allowing a more direct line of sight between leadership and front line workers. Employees can be more aware of—and engaged with—the priorities of the agency;
  - maximise resources by ensuring that tasks are performed at the most appropriate level and work is not duplicated.
10. Many agencies are separately reviewing their management structures to find efficiencies. This Framework provides an opportunity to leverage lasting benefits to the whole of the APS.

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## Development of the Framework

11. The Framework was developed following an initial review of current research and practice. This was followed by extensive input from the Deputy Secretaries Efficiency Working Group and draws heavily on the experience of individual agencies.
12. It became clear that there was no one-size-fits-all approach that could be applied effectively across the whole APS. However, research consistently identified a set of principles that underpin effective management structures. These form the basis of the design principles adapted for the APS and presented in the Framework.
13. The benchmark for the optimal number of management layers in particular takes account of the work of Elliott Jaques<sup>2</sup>.
14. It was determined that there was no single benchmark for the number of direct reports that could take account of the diversity of work undertaken across the APS or in individual agencies. Consequently, work categories and benchmarks for the optimal number of direct reports for each category were developed following testing across a number of agencies with diverse operating models and functions.

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<sup>2</sup> Elliott Jaques, *In Praise of Hierarchy*, Harvard Business Review, January - February 1990.

## **PART B - The APS Framework for optimal management structures**

15. The APS Framework for establishing optimal management structures consists of five design principles and provides benchmarks for organisational layers and direct reports [see Key Definitions on page 8].
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### **Design principles**

16. **The following five design principles should underpin the design of an agency's management structure.**

#### **(i) Vertical design**

**An agency should not have more organisational layers than is absolutely necessary to perform effectively.**

- The number of layers in an agency is ideally between 5 and 7.
- A range of classification levels can exist in the same layer.
- Layers should reflect decision making and accountability in line management reporting arrangements. A layer should not be viewed automatically as one job classification level reporting upwards to the next classification level.

#### **(ii) Accountability and decision making**

**Decisions should be made at the lowest practical level.**

- Control mechanisms will be consistent with appropriate risk management. They will suit responsibilities, be economical to implement and motivate managers.
- More direct reports and fewer layers can improve accountability. Employees and managers are more empowered and held more closely responsible for work outcomes. This can lead to improved decision making and faster business response times.
- A number of direct reports that is too high can leave employees feeling disengaged and removed from both management and organisational objectives. It can also lead to decision 'bottle necks'.

#### **(iii) Relative complexity of tasks**

**The optimal number of direct reports will depend upon the type of work being managed.**

- A larger number of direct reports may be most effective where work is routine and standardised, often completed within well-defined parameters.
- Fewer direct reports may be appropriate where work requires specialist capability and close oversight of complex tasks with high risk.
- Different types of work will be undertaken in one agency and the optimal number may vary within an agency.
- Table 1 on page 7 will assist agencies to identify the type of work performed in different work areas.

#### (iv) Innovation and adaptability

**Structures should maximise the opportunity for innovation and provide flexibility to respond to change.**

- An optimal number of direct reports and layers will enable changes to be adopted more readily.
- A larger number of direct reports and fewer organisational layers facilitate better communication. There are fewer levels for information to cascade through.
- Fewer direct reports and more vertical layers can promote the development of silos that restrict an agency's ability to recognise the need for, or implement, change
- Improved communication of agency goals encourages an organisational perspective to problem solving and innovation.

#### (v) True work value

**Jobs should be classified consistently across the APS according to work value.**

- Job classification requires an assessment of work value against work level standards which apply consistently across the APS.
- The objective is to have: the right jobs designed to meet priorities; jobs classified according to work value; and the right people doing the right jobs.

### The optimal number of organisational layers

- Using the design principles set out in the Framework, the optimal number of organisational layers will be—in most cases—between five and seven.
- Smaller organisations may need fewer layers. As an organisation gets larger, more complex or more geographically dispersed, the optimal number of layers can be greater to meet business and operational needs.
- Layers in an organisation should be organised to achieve the most efficient and effective way to make decisions and manage accountability. Decisions will be made at the lowest practical level.
- Typically, layers reflect the following five decision making and leadership roles:**

<b>Strategic leadership</b>	Highest level of strategic leadership. Achieve the organisation's strategic intent and deliver on strategy and targets. Contribute to overall industry and sector strategy.
<b>Cluster leadership</b>	High level strategic decision making. Direct and shape part of the organisation. Translate the organisation's strategy into systems. Complex project planning and delivery.
<b>Functional leadership</b>	Strategic and tactical decision making Design, build and fine tune systems to optimise performance. Provide advice to functional areas where no precedent exists.
<b>Team leadership</b>	Focus on delivered output, quality and improvement. Tactical decision making.

Enable teams by framing and supporting their work. Suggest alternatives to the next level up.

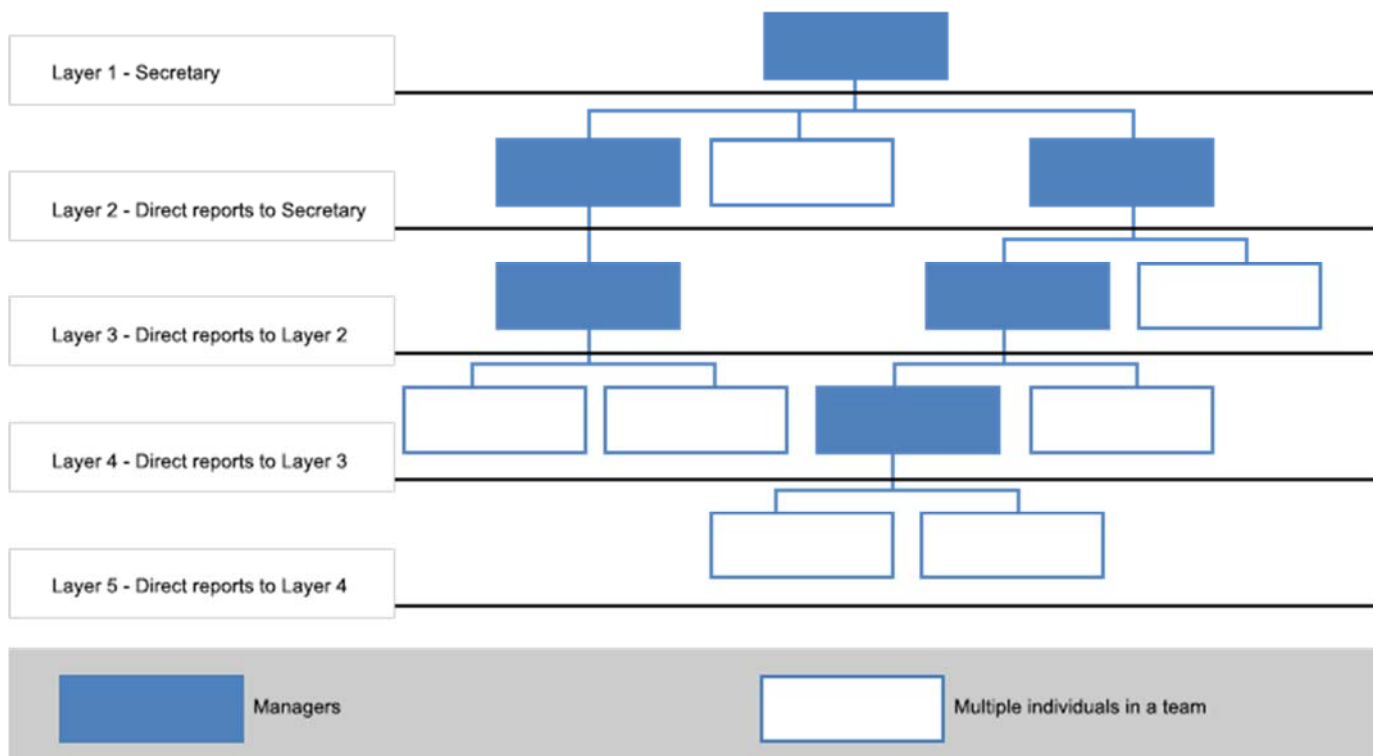
**Team members**

Decision making within defined boundaries.

Outputs and process can be specified in advance.

21. Classification levels do not determine layers and a layer may include several classification levels.

22. **As an example, five layers in an organisation may be structured along the following lines:**



## The optimal number of direct reports

23. Using the design principles set out in the Framework, the optimal number of direct reports for a manager will depend upon the type of work being performed.
24. To determine the work type, there needs to be an analysis of the work tasks and how they can be best clustered (grouped) to support delivery into the future.
25. Table 1 below identifies benchmarks which agencies can use to determine the optimal number of direct reports to apply in each work area. Different benchmarks can be applied to different work areas in an agency.
26. The work categories described in Table 1 are general in nature and should be considered in the context of individual agency operating environments.
27. The optimal number of direct reports appropriate for any work area will also be affected by the individual characteristics of an agency. These are listed in Table 2.

<b>Table 1: Number of Direct Reports by Work Type</b>			
<b>Category One</b>	<b>Category Two</b>	<b>Category Three</b>	<b>Category Four</b>
Specialist policy - highly technical High levels of judgment and risk	Policy and programme development Programme delivery	High level service delivery Case management	High volume service delivery Regular and less complex tasks
Benchmark number of direct reports: 3-7	Benchmark number of direct reports: 5-9	Benchmark number of direct reports: 6-9	Benchmark number of direct reports: 8-15+
Provide advice in an area of technical expertise and specialisation. High level subject matter expertise is required in all jobs and at all levels. Highly complex tasks. Decisions have significant risk, including reputational risk. High level of influence in area of specialisation. High level of judgement High level of stakeholder engagement. Industry leader.	Distinct area of expertise with a level of specialisation. Broad policy advice across multiple areas within the same sphere of influence. Requirement to shape policy and develop methodologies. Responsible for promulgation of policy and revisions. High level of innovation. Design and delivery of complex programmes.	Tailored approaches to delivery of outcomes. High to medium complexity. Low number of routine application (one offs). Broad range of work types and interactions. Fluid priorities and objectives. High level of stakeholder engagement.	High volume of routine and repetitive tasks. Tasks easily grouped. Boundaries and frameworks for business processes and decision making are clearly defined and well tested. Processes are simple and replicated across multiple situations. Work is determined with minimal interaction required. High level of technology supports work processing.



Table 2: Agency characteristics		
Size	Larger organisations typically support a larger number of direct reports.	Larger organisations often have greater numbers of employees undertaking similar functions and activities. They can have greater capacity for work standardisation and work effectively with a larger number of direct reports.  Smaller organisations can require employees to perform multiple roles and require a higher level of supervision, suggesting the need for fewer direct reports.
Maturity	Mature and stable organisations typically support a larger number of direct reports.	Organisations that have clear direction, well established operations and procedures and low staff attrition can typically work effectively with a larger number of direct reports.  Organisations undergoing change may benefit from fewer direct reports as employees adjust to a new working environment.
Geographical spread	An organisation spread over a wide geographic area typically requires fewer direct reports.	Where tasks are performed in different locations, the need for local management can lead to fewer direct reports.

## Key definitions

28. When calculating the number of organisational layers and direct reports, the following definitions apply.

<b>Number of organisational layers</b>	The number or tiers in an organisation's structure which reflect levels of responsibility. Normally represented in the organisational chart.
<b>Number of direct reports</b>	The number of employees that report to a manager. This can also be referred to as <i>span of control</i> .
<b>Average number of direct reports – by agency</b>	Total number of employees (in the agency) divided by the number of managers (in the agency) using headcount figures and actual positions.
<b>Average number of direct reports – by work type</b>	The number of employees (in the work category) divided by the number of managers (in the work category) using headcount figures and actual positions.
<b>Manager</b>	A person at any classification level with reporting responsibility for another employee. In most cases this includes reviewing performance and providing performance assessments.  The number of managers does not include employees with no direct reports, irrespective of classification level.

## **PART C – Implementing the APS Framework for optimal management structures**

29. Building better management structures in accordance with the Framework will require a systematic and detailed implementation plan.
  30. Agencies will need to have—or develop—capability in strategic workforce planning, organisational design and change management to support effective change. They may need to consider development and training focused on these three areas. Capability can also be developed through sharing ideas and expertise with other government agencies and the private sector.
  31. The following material provides an outline of how an agency might develop an implementation strategy. The guidance not compulsory.
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### **Plan to achieve optimal management structures**

32. Agencies will have different approaches to developing a plan to achieve optimal management structures. Agencies may begin by establishing a steering group that has detailed knowledge of the agency's strategic priorities and future business needs.

#### **In developing an implementation plan, it is important to consider the following:**

33. Reducing the size of the management profile in isolation of structural change can adversely impact organisational capability. An agency's strategic priorities and corporate and business plans must be aligned with—and supported by—proposed management structures.
34. The successful application of the APS Framework begins with a clear understanding of business strategies to meet current and emerging needs. Management structures should be constantly reassessed in response to changing government priorities.
35. Management structures cannot be arbitrarily changed without change to underlying business processes. The Framework provides the opportunity for agencies to re-evaluate the way work is organised.
36. Agency workforce planning should take account of environmental scanning and forecasted future needs. Agencies can capitalise on work already undertaken in this area.
37. It is intended that the framework will be implemented by agencies over a three year time frame. This allows agencies to take account of individual circumstances, including strategic priorities, existing capability and emerging business needs. It provides the opportunity for a coordinated approach to implementing other workforce change, such as workforce planning, classification reviews, SES caps and capability development. There may be circumstances where an agency can make the case that change would be better implemented within a different, including an earlier, timeframe.

**38. The following five steps will assist agencies in developing their implementation plan:**

**(a) Assess the existing structures**

- (i) Identify the number of organisational layers. Analyse roles and responsibilities, where decisions are being made and how information is shared.
- (ii) For each work category, establish the average number of direct reports. Review existing controls, decision making points and how this impacts on organisational layers.

**(b) Identify emerging strategies and drivers for change**

- (i) Consider the management structures that will best support delivery into the future.

**(c) Analyse and cluster work tasks**

- (i) Analyse work tasks performed in the agency, and the business processes that support these tasks.
- (ii) Determine the most effective clusters (or groups) of work tasks that will support delivery.
- (iii) Consider job design and ensure that classification levels reflect work value as described in the APS Work Level Standards and APS SES Work Level Standards.

**(d) Determine an optimal number of organisational layers**

- (i) Determine the smallest number of layers that will support existing and emerging needs.
  - Apply a sequential approach to developing layers– beginning at the top layer, each layer subsequently informs the development of the next.
  - Decisions should be made at the lowest practicable level, consistent with appropriate risk management.
  - Reporting lines should not necessarily reflect classification levels. Reporting lines should not be in place so that one classification level automatically reports to the next.

*For example, an EL2 may have a number of direct reports that include APS6s and EL1s — all in one layer.*

*As another example, an agency might determine that it can be more effective if it has EL1s reporting directly to the SES Band 1 manager and places EL1s and EL2s in the same layer. In addition, the SES Band 1 may be in the same layer as the SES Band 2 and report directly to the SES Band 3.*

**(e) Determine an optimal number of direct reports for work areas**

- (i) Based on the most effective groups (or clusters) of work tasks, identify distinct work categories.
- (ii) Using the benchmarks established in the Framework (Table 1) as a guide, determine the optimal number of direct reports for managers in each work category.

Different benchmarks can apply within an agency.

- Where the work is highly specialised and technical, or where there is increased risk, fewer direct reports per manager may be appropriate. In an area where the work is repetitive and process based, then a much higher number of direct reports may suit business needs.
- Too many direct reports may mean a manager's workload is excessive, leading to less effective performance and less support for staff.
- Too few direct reports may mean that managers are under-utilised. Overly complex layers and cross team relationships may adversely affect communication and team direction.
- Appropriate numbers may also be affected by individual agency characteristics, as outlined in Table 2 of the Framework.

*For example, in a highly specialist or regulatory agency where decisions are complex and involve high levels of stakeholder interactions and significant risk, managers may need greater oversight and fewer direct reports. In the same agency, where there is a call centre function and decisions are made within well-defined parameters, a larger number of direct reports per manager may be appropriate.*

*In another example, an agency may find that it can better reflect benchmarks for the number of direct reports if it has a range of APS positions reporting to one APS 6 or EL position. This is consistent with a reduced number of organisational layers.*

## Move towards optimal structures

39. To move towards optimal management structures, agencies may take a project management approach, for example by establishing
  - a project steering committee, supported by work groups to achieve specific tasks;
  - clear governance and reporting arrangements;
  - a project timeline with milestones and outcomes; and
  - a robust communications plan (facilitating both top down and bottom up communications).
40. Agencies can leverage change to management structures through their existing corporate planning– for example through business and workforce plans.
41. There are a number of mechanisms that agencies may employ to achieve change in management structures. These include (but are not limited to):
  - Job re-design
  - Selection and recruitment
  - Induction
  - Training and development
  - Retention
  - Attrition

42. Levers to get the right people in the right jobs are outlined in [Appendix 1](#).
  43. Changes to management structures may result in changes to individual roles. Classification levels must continue to reflect work value and be consistent with the APS work level standard.
  44. Other APSC resources include:
    - [Workforce Planning Manual](#)
    - [APS Recruitment Guidelines](#)
    - [APS Separation Guidelines](#)
    - [APS Work Level Standards](#)
    - [APS Senior Executive Service Work Level Standards](#)
    - [APS Role evaluation guidance and tool \(APS and Executive Level classifications\)](#)
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## **Manage change**

45. Change needs to be structured and organised. Agencies will need to put in place an overarching change strategy that incorporates:

### **Executive commitment and leadership**

- Effective change depends on leaders who embrace and own the change agenda. It is essential that leaders across the organisation are seen to actively model, promote and support change to both structure and practice.

### **Communication**

- Through a deliberate and ongoing communication strategy, leaders should communicate the imperatives for change and its advantages, acknowledging the challenges presented during transition.
- Messages must be frequent, relevant and consistent, and designed to encourage employees to embrace the reasons for change. Supported by their leaders, employees can become engaged in the change process and reflect this in their day to day activities.
- There should also be mechanisms in place that enable employees to communicate their views and contribute to both the process of change and the outcomes.

### **Cultural change**

- Leadership and communications should support a cultural change – a change to the way we do things around here (including risk management).

### **Training for leaders and employees who experience a change in their roles**

- To create a high performance environment that gets the most out of each team member, managers need a mix of interpersonal skills and technical management skills. New managers may benefit from additional training in these areas.

## Reporting

46. The Commission will continue to monitor management structures and spans of control across the APS. Agencies may be asked to provide data as part of the Commission's annual agency survey.

## Risks

47. Below are some of the high-level risks that have been identified for the implementation of the Framework. It is not intended to be conclusive – agencies should identify risks that apply to their circumstances and develop risk management strategies.

<b>Risk</b>	<b>Description</b>	<b>Mitigation</b>
Failure to restructure and change culture	Action to simply reduce the number of managers as a cost-reduction strategy—or the application of the Framework to existing management structures in isolation from broader organisational and cultural review — will fail to achieve fundamental change that reduces redundancy and improves efficiency. Such an approach may deliver short term budget outcomes but with a high cost in lost capability.	Agencies understand the broader implications of change. Change occurs as an ongoing process recognising interdependencies and using a tailored implementation plan to systematically optimise outcomes.
Failure to consider strategy	Action to reduce numbers as a statistical exercise without consideration of strategic priorities will fail to build capability to meet emerging business needs.	Management structures are aligned to business objectives.
Insufficient capacity for change	Agencies may lack a level of flexibility, capability and/or resources to move to the desired end-state within required timeframes. A number of issues such as budget, evolving technology requirements and re-training may impede an agency's ability to re-profile within the required timeframes.	Tailored implementation plans take account of agency constraints, including forward budgets and costs. A principles-based approach to the Framework allows agencies to consider their individual circumstances and manage implications. Shared capability and experience can also assist with capability concerns.
Pace of change is too slow	A pace of change that is too slow will lose impetus and fail to realise benefits.	The implementation plan includes milestones and timeframes for the achievement of identified targets. These are effectively monitored.
Pace of change is too rapid	A pace of change that is too rapid may result in disruption to business, particularly where there is 'change fatigue'.	The implementation plan has realistic milestones. This will be particularly relevant to larger

Risk	Description	Mitigation
	One outcome may be managers with an unsustainable number of direct reports.	agencies with complex structures in place. There is effective communication with employees.
Failure to address required change in management capabilities	Increased numbers of direct reports require increased management capabilities and increased management functions for managers. Agencies that do not develop this capability and account for this change could jeopardise the sustainability of revised structures and limit the benefits of change.	New capabilities are supported by investment in training and development. Staff development is part of implementation plans.
Failure to ensure HR and organisational design capabilities	Capability and skill in strategic human resource, organisational design and change management is required to support effective change.	Staff development and training focuses on these three areas. Ideas and experience are shared through a community of practice that includes other agencies, the public sector more broadly and the private sector.
Insufficient support for appropriate decision making	Change in management structures will lead to improvements in decision making when it is supported by an appropriate approach to risk. Benefits will not be realised if the revised structure is not supported by practice and culture, and decisions continue to be “pushed up the line”.	Review delegations and promote a cultural shift to appropriate risk management.

