



Australian Government
Australian Public Service Commission

Optimal Management Structures Guidance 2023



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Enquiries

The Australian Public Service Commission welcomes feedback on this guide. Please direct comments or enquiries to apswfp@apsc.gov.au or via the Workforce Planning Community of Practice on GovTEAMS.

Version control

Version	Date	Description
1	2014	The APS Framework for Optimal Management Structures – guidelines for HR practitioners
2	2023	Review and update of the 2014 guidance for optimal management structures

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About the OMS

Purpose

Optimal Management Structures (OMS) guidance is a toolkit for Australian Public Service (APS) agencies. It helps senior leaders and their corporate teams to design management structures that operate effectively. The guidance takes a flexible approach, acknowledging each agency's unique operating context and the need to deliver – now and into the future – on Government priorities and agency objectives.

The demands on an agency can change over time, therefore management structures should be considered periodically to ensure they are fit-for-purpose.

Management structures can be adjusted on a small scale in parts of your organisation or agency-wide. Agencies may also consider how their management structures align with this guidance when undertaking agency-wide reviews—including organisational capability, functional and efficiency reviews—along with other future-focused initiatives aimed at organisational improvements.

This document works alongside other APS guidance including Work Level Standards, the APS Workforce Planning Guide and relevant circulars which are available via www.apsc.gov.au

Benefits

Agencies should work towards establishing management structures with fewer organisational layers, broader spans of supervision and decision making at the lowest appropriate level – that is, where good decisions can be made safely, and accountability is reasonable for the decision maker's classification and position within the agency.

This has a number of benefits.

- Senior executives engage directly with employees who have detailed understanding of the issues and employees have a more direct line of sight to their leadership team and benefit from their perspectives and context
- Decisions can be made faster, at the appropriate level, closer to where information is held
- People have greater opportunity to own their work, promoting employee engagement and empowerment
- Innovation is supported by reducing the number of layers an idea must progress through
- Accountability is enhanced by reducing management duplication and by making individual roles and responsibilities clearer
- Making the best use of our resources and avoiding duplication of effort
- With a more direct line for receiving and relaying corporate messaging, communication flows are simpler and employees can gain a deeper understanding of the priorities of the agency.

Principles

1. Modern structures for today's APS

Successive reviews have found the APS needs modern and responsive management structures that help us meet the evolving needs of Government and citizens. Flatter structures and appropriate spans of supervision can help agencies make best use of their people and respond quickly to emerging challenges.

2. Flexibility

Agency heads are best placed to determine the optimal management structure for their organisation. While we are united as OneAPS in our commitment to serve the Australian people, in practical terms each agency operates as a distinct organisation, with its own culture, workforce and delivery accountabilities. This guidance can be applied flexibly in the way that works best for each agency's context and business requirements.

3. Structure should be considered alongside other aspects of organisational design

Designing a management structure for your agency requires consideration of all components that make up an agency and how they work together, including structure, culture and capability. For an agency's structure to be effective the following should be in alignment:

- **Strategy** takes account of your purpose and the internal and external environmental factors - current and emerging - that influence your strategic planning and strategy execution.
This is often set out in your Corporate Plan.
- **Structures** should be regularly reviewed in response to changes in priorities, environment and the agency's strategy so delivery of services is uninterrupted.
- **People** should have the right skills to achieve the agency's strategy and be supported to adapt to change and adjust ways of working.
- **Processes** should support considered decision making, risk management, and increase productivity, accountability and autonomy.

Structure guidance

Decisions about the shape and size of your agency structure should be focused on the best way to execute and achieve the agency's strategy. This includes considering the positions that have decision-making authority both horizontally and vertically, the capability of your people and complexity of your priorities.

The shape of an agency's management structure is the:

- number of groups, divisions, branches, sections or teams (function)
- number of layers
- span of supervision for a manager (the number of direct reports a manager has) within each layer of the structure.

Decision-making authority

Vertical decision-making authority can be a mix of:

- centralised, where one position or one layer in the structure has the decision-making authority for a certain type of decision.
- decentralised, where decision-making authority is dispersed across multiple layers of the structure.

Horizontal decision-making is where employees make decisions without having to gain senior executive approval while following agency guidance on good decision making. Decision-making authority is given to the teams or positions closest to the issues to achieve fast decision making, encouraging fewer steps in the decision making process and reducing 'bottlenecks'.

Decision making authority is often recorded in a delegation instrument or agency guidelines, identifying the position/s that can make a specific decision, noting some decisions must be made within the bounds of specific legal and policy obligations.

Decision-making should not be pulled up to higher levels than necessary. At every opportunity, decision making authority should be set at the lowest appropriate level, noting the intention is not for managers to inappropriately push down work to lower classification levels than is reasonable. Work must continue to be appropriately classified and decision-making authority should be reasonable for the position.

When leaders set vision and guard rails without dictating the way in which problems can be solved, teams are more genuinely empowered and can feel safe to make decisions. Senior executives are responsible for ensuring the necessary training and capability uplift is given to employees so they are appropriately skilled to successfully take on the responsibility of a decision maker.

Layers

In most cases, the optimal number of organisational layers should be between 5 and 7. This may vary depending on the type of work being conducted, the context and agency operating models.

The optimal number of layers in an agency should:

- provide the quickest and most effective way to make decisions and manage accountability
- enable decisions to be made at the lowest appropriate level
- place decision making authority with the functions or individuals closest to the issues to minimise unwieldy clearance processes
- avoid unnecessary reporting lines to reduce hierarchy complexity, while improving communication and efficiency.

Smaller organisations may need fewer layers. In organisations that are larger, more complex, or operationally focused, the optimal number of layers may be greater to meet business and operational needs.

A layer is not necessarily made up of one classification level reporting upwards to the next classification level. One layer may have employees at multiple classifications reporting to one manager. For example, an EL2 position may have a mix of APS6 and EL1 employees reporting directly to them – all in one layer. A work area might decide 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. Similarly, an SES Band 1 may be in the same layer as SES Band 2s and report directly to the SES Band 3.

It is also important to consider the practical implications of removing organisational layers. Some of these include:

- ensuring appropriate backfilling arrangements can be put in place for employees to cover absences and leave
- the impact on succession planning and talent management
- ensuring business processes and human resource and financial delegations are adjusted to ensure decisions are being made at the appropriate level
- ensuring structural changes do not unintentionally inhibit career pathways.

Span of supervision

A manager's span of supervision refers to their number of direct reports. This is sometimes called span of control. This can include people engaged through a range of employment or contract arrangements.

The optimal number of direct reports for a manager will depend upon the type of work being performed (Table 1), manager and employee capability and individual characteristics of an agency (Table 2).

Benchmarks for the optimal number of direct reports are provided as a guide and should be considered in the context of individual agency operating environments. Delegation of decision-making authority, by the manager to employees, supports a manager's ability to manage more people, creating flatter organisations.

Table 1 identifies benchmarks which agencies can use to decide the optimal number of direct reports to apply in each work type. To determine the work type, there needs to be an analysis of the duties and how they can be best grouped to support delivery.

In certain circumstances, spans of supervision may need to vary from these benchmarks to meet business needs. For example.

- When new leaders are developing, smaller spans may be appropriate in the short-term. This allows opportunities for managers to build their leadership skills.
- When management roles require high expertise and teams need active coaching, smaller spans may be appropriate. This enables managers to have greater involvement in highly complex work requiring deep expertise and support.
- When roles have high exposure and/or considerable representational responsibilities, smaller spans may be appropriate. This might include roles with serious, high-consequence risks, greater external scrutiny and/or more regular and intensive interaction with Ministers.
- When teams undertake standardised work, broader spans may be appropriate. This reflects the ability of direct reports to operate more independently when work is more standardised and/or minimal manager intervention is required. Very large spans, however, are likely to impact pastoral care and mentoring functions for teams.

Low complexity and high volume service delivery activities have traditionally enabled larger spans of supervision. This is possible where work is routine and standardised within well-defined parameters. As the nature of work within the APS changes, particularly in response to advances in technology and societal expectations, low complexity tasks are increasingly being automated and there is a greater need for employees to focus on complex tasks. While capability is being developed in employees to proficiently undertake more complex work, agencies may need to consider reducing the span of supervision.

It may be appropriate that smaller spans of supervision exist for managers with specialist skills, and within a taskforce where teams are pulled together rapidly based on their skills and experience to address complex problems in short timeframes. Similarly, a highly specialist or regulatory function where decisions are complex and involve high levels of stakeholder interactions and significant risk, managers may need greater oversight with fewer direct reports. This should be applied at agency discretion.

Flexibility is required when determining the appropriate number of direct reports, noting the broad range of reporting arrangements and dynamic team structures in place across the APS.

Agencies can choose to apply the benchmarks to managers at all levels, or to bring them into effect at a certain classification (e.g. EL2 and above). This decision will depend on the agency context, workforce profile and type of work being conducted. Agencies should be mindful of the need to build a future leadership pipeline, so employees have opportunities to develop leadership skills gradually before being asked to manage a larger team.

When considering span of supervision, agencies are encouraged to review their workforce plans and capability frameworks to inform decisions on role design. A critical factor in successfully widening spans is ensuring capability uplift is provided to new leaders to manage a higher number of direct reports. Effective manager capability focuses on leading rather than doing, fostering an environment where micro-managing is discouraged.

Table 1: Number of direct reports by work type

The categories described in Table 1 are general in nature and should be considered in the context of individual agency operating environments.

Category A Taskforce and specialist	Category B Specialist policy	Category C Policy and program development Program delivery	Category D High level service delivery Case management	Category E High volume service delivery Regular and less complex tasks
Benchmark number of direct reports: 0-3	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+
<p>High level of influence in area of specialisation, including senior specialist roles.</p> <p>Work is ambiguous, highly complex and decisions have significant risk, including reputational risk.</p> <p>Can be accountable for directing or coordinating the efforts of employees outside the direct reporting structure.</p> <p>Taskforces operate with considerable autonomy to quickly address complex and pressing needs.</p> <p>Substantial representation and new/complex stakeholder engagement.</p> <p>There may be high degrees of ministerial engagement and/or external scrutiny such as audit and parliamentary processes.</p>	<p>High level subject matter expertise.</p> <p>Decisions have significant risk, including reputational risk.</p> <p>High level of judgement and discretion.</p> <p>High degree of representation and stakeholder engagement.</p> <p>There may be moderate degrees of ministerial engagement and/or external scrutiny such as audit and parliamentary processes.</p>	<p>Distinct area of expertise with a level of specialisation.</p> <p>Broad policy advice across multiple areas within the same sphere of influence.</p> <p>Requirement to shape policy and develop methodologies.</p> <p>Responsible for promulgation of policy and revisions.</p> <p>High level of innovation.</p> <p>Design and delivery of complex programs.</p> <p>There may be some ministerial engagement and/or external scrutiny such as audit and parliamentary processes.</p>	<p>Tailored approaches to delivery of outcomes.</p> <p>High to medium complexity.</p> <p>Low number of routine application (one offs).</p> <p>Broad range of work and interactions.</p> <p>Fluid priorities and objectives.</p> <p>Regular stakeholder engagement, largely within established networks.</p>	<p>High volume of routine and repetitive tasks.</p> <p>Tasks easily grouped.</p> <p>Boundaries and frameworks for business processes and decision making are clearly defined and well tested.</p> <p>Processes are simple and replicated across multiple situations.</p> <p>Work is determined with minimal interaction required.</p> <p>High level of technology supports work processing.</p>

Table 2: Agency characteristics

Table 2 includes guidance on how to incorporate different agency characteristics into considerations around the optimal number of direct reports.

Characteristic	Guidance
Size	<p>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.</p> <p>Smaller organisations can require employees to perform multiple roles and require a higher level of supervision, suggesting the need for fewer direct reports.</p>
Maturity	<p>Organisations that have highly competent managers and employees, clearly communicated strategy, well established operations and procedures can typically work effectively with a larger number of direct reports.</p> <p>Organisations undergoing significant change may benefit from fewer direct reports as employees adjust to a new working environment.</p>
Geographically dispersed	<p>Where tasks are performed in different locations the need for local management may result in fewer direct reports.</p> <p>Geographically dispersed workforces may utilise a mix of location-based management and function-based management. These approaches may not necessarily reduce span of supervision, but they can reduce the overall scope of the manager's responsibility.</p>
Type of work	<p>Routine and low complexity work where processes are clearly defined can lead to more direct reports.</p> <p>Work that is ambiguous, complex and requiring frequent decision-making or specialisation can lead to fewer direct reports.</p>
Employee experience and capability	<p>More experienced managers may generally have a larger number of direct reports than less experienced individuals in leadership positions.</p> <p>Similarly, while new leaders are developing narrower spans of supervision may be appropriate in the short term.</p> <p>In setting appropriate spans, agencies should ensure managers retain adequate time to support the continued development of their direct reports.</p>

Process guidance

The following steps may assist agencies with considering the design of their agency, and/or the design of work areas (e.g. division, branch, section) within their agency.

Decide the optimal number of organisational layers

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.
- Layers should reflect decision making and accountability in accordance with management reporting arrangements. A layer should not be viewed automatically as one classification level reporting upwards to the next classification level.
- Determine the smallest number of layers that will support existing and emerging needs.

Decide the optimal number of direct reports

The optimal number of direct reports will depend upon the type of work being managed, and manager and employee capability.

- Table 1 aims to assist agencies to identify the relevant benchmark for the number of direct reports based on the work type in different work areas.
- Agencies are not expected to apply the same benchmark enterprise-wide – different types of work will occur in different parts of the same organisation.
- The optimal number of direct reports will enable changes to be adopted more readily increasing responsiveness.
- The number of direct reports should fit the circumstances. Too many direct reports may have adverse impacts on the agency, and on the manager and their teams where a manager's workload is excessive. This can lead to less effective performance, less support for employees, and less time spent on strategy and relationships. Too few direct reports may mean that managers are under-utilised and organisations become top heavy.
- Optimal number of direct reports may also be affected by individual agency characteristics, as outlined in Table 2.

Assess work value

Jobs should be classified consistently across the APS according to work value, noting the diversity of roles and functions performed across the APS at each classification.

- When designing or re-evaluating positions, ensure the appropriate classification is allocated using the APS Work Level Standards which apply across the APS.
- The objective is to design jobs that will deliver on the agency's priorities, jobs classified according to work value and people with the right skills for the job. The work value of roles may change over time for example due to the impacts of technology and other changes in operating context.
- Analyse work tasks performed in the agency, and the business processes that support these tasks. Ensure all activities are aligned and supported by your agency culture to help achieve your agency's strategy.
- Determine the most effective clusters or groups of work tasks that will support delivery.

Foster accountability and good decision making

Decisions should be made at the lowest appropriate level.

- To make best use of APS capability, responsibility should be allocated to the right level. This allows people to be more proactive and decisive. When decision making authority is pulled up to a higher management level than necessary, it can lead to decision ‘bottlenecks’. It also draws a manager’s time away from activities that develop organisational capability such as investing in strategy, relationships, mentoring and employee management.
- Decision making authority should be consistent with appropriate risk management and leaders have a responsibility to nurture and enable an effective risk culture. When employees are appropriately skilled and understand the agency’s appetite for different kinds of risk, and how it applies to their work, they can make considered decisions.
- The more autonomy employees have, the more important collaboration becomes - individuals and teams should work together to coordinate and align their work to achieve common objectives. Autonomy requires two way communication, so managers have visibility of decisions they are accountable for.

Factors for success

In using this guidance, the following factors should be considered.

- **Strategy** - An agency’s strategic priorities and corporate and business plans should be aligned with—and supported by—effective management structures.
- **Processes** - When management structures are changed, underlying business processes should also be considered. This guidance assists agencies to re-evaluate the way work is organised.
- **Culture** - Agencies should consider their workplace culture to ensure it supports people to adjust their work styles and thrive in the optimal management structure.
- **Development** – In determining spans of supervision, agencies should ensure managers have time to appropriately support their employees’ development.
- **Risk** - Open and active communication about the agency’s approach to risk, including risk tolerance across activities, will assist employees at all levels to make informed decisions. Regular and consistent communication of your agency’s goals encourages an organisational perspective to problem solving and innovation.
- **Future focus** - When adjusting management structures, agencies should be mindful of future needs. This can be supported by workforce planning taking into account job design, environmental scanning and forecasting.
- **Change management** - Take a considered approach to embedding change in agency structures, drawing on appropriate change management methodologies.
- **Workforce characteristics** - Consider the diversity of your workforce and any support or training people may need if there is a change in the direction of the agency’s priorities and their role, ensuring agency and APS people management guidelines inform the approach.
- **Consultation** - It is important to consult with employees and their representatives before decisions that substantially impact them are made or implemented. Agencies should ensure they are meeting their consultation obligations within their industrial instruments and if necessary, seek legal advice to ensure legislative requirements are met. Agencies must also have regard for any other Government policy or advice including relevant circulars on the APS Commission website.