



# Organisational Structure

- Organisational structure is a:



"A formal way of outlining the way that authority, responsibility and information will flow in a business "

- A business can be structured in a number of ways:

## By Function

- A business which is separated into departments

## By Product

- A business which is separated by the different products it makes

## By Area

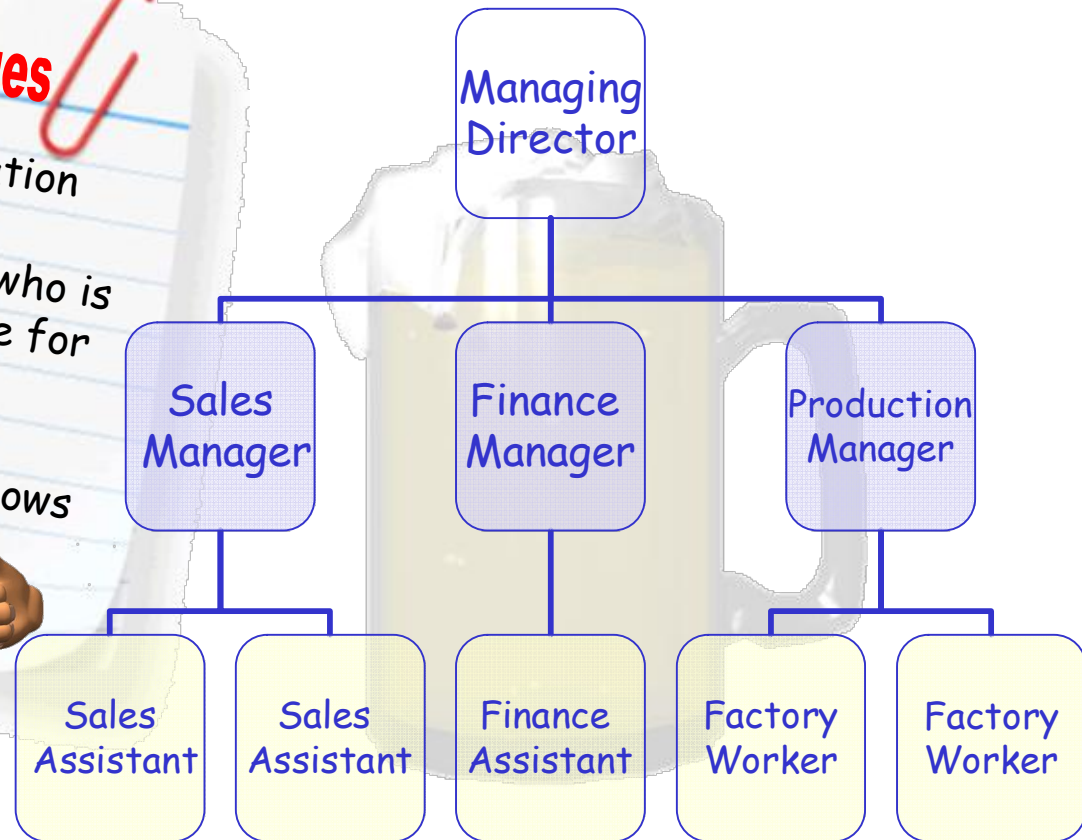
- A business which is separated according to the location of their branches



# An Example Of A Functional Structure

- This type of structure separates a business by departments
- An example would be:

**Organisation Chart  
For Bev Ridge Brewery**



## Advantages

- 1) Specialisation
- 2) It's clear who is responsible for what
- 3) Everyone knows their role

## Disadvantages

- 1) Departments may have their own agenda
- 2) Co-ordination may be complex
- 3) Decisions take longer



# An Example Of A Product Structure

- This type of structure separates a business by the products it manufactures
- An example would be:

## Advantages

- 1) A focus on products
- 2) Encourages competition between functions
- 3) Divisions can be separate profit centres

## Organisation Chart For Bev Ridge Brewery



## Disadvantages

- 1) Duplication of some services
- 2) May be too concerned with internal competition





# An Example Of An Area Structure

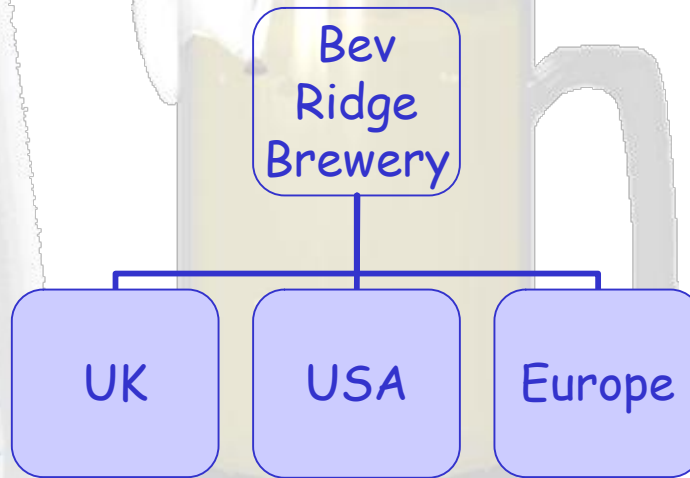
- This type of structure separates a business by the areas it operates in
- An example would be:

## Advantages

- 1) Can adapt to local customers
- 2) Encourages competition between functions



## Organisation Chart For Bev Ridge Brewery



## Disadvantages

- 1) Possible conflict between local and central managers
- 2) Duplication of some services







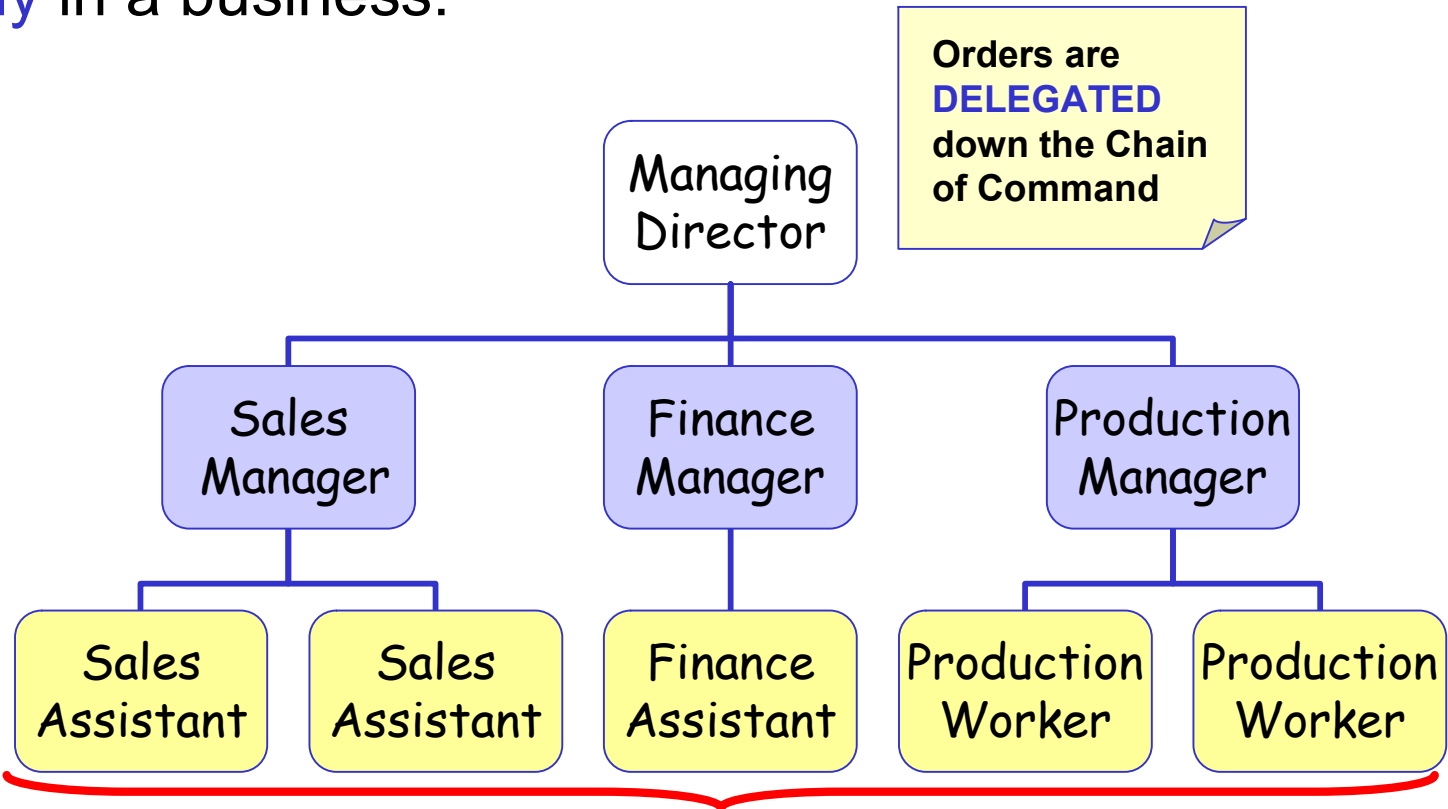
# Reading An Organisation Chart

- An organisation chart is a visual representation of the **hierarchy** in a business:

Person with the most **AUTHORITY** is at the top

Person with the least authority is at the bottom

Instructions are passed down the **CHAIN OF COMMAND**



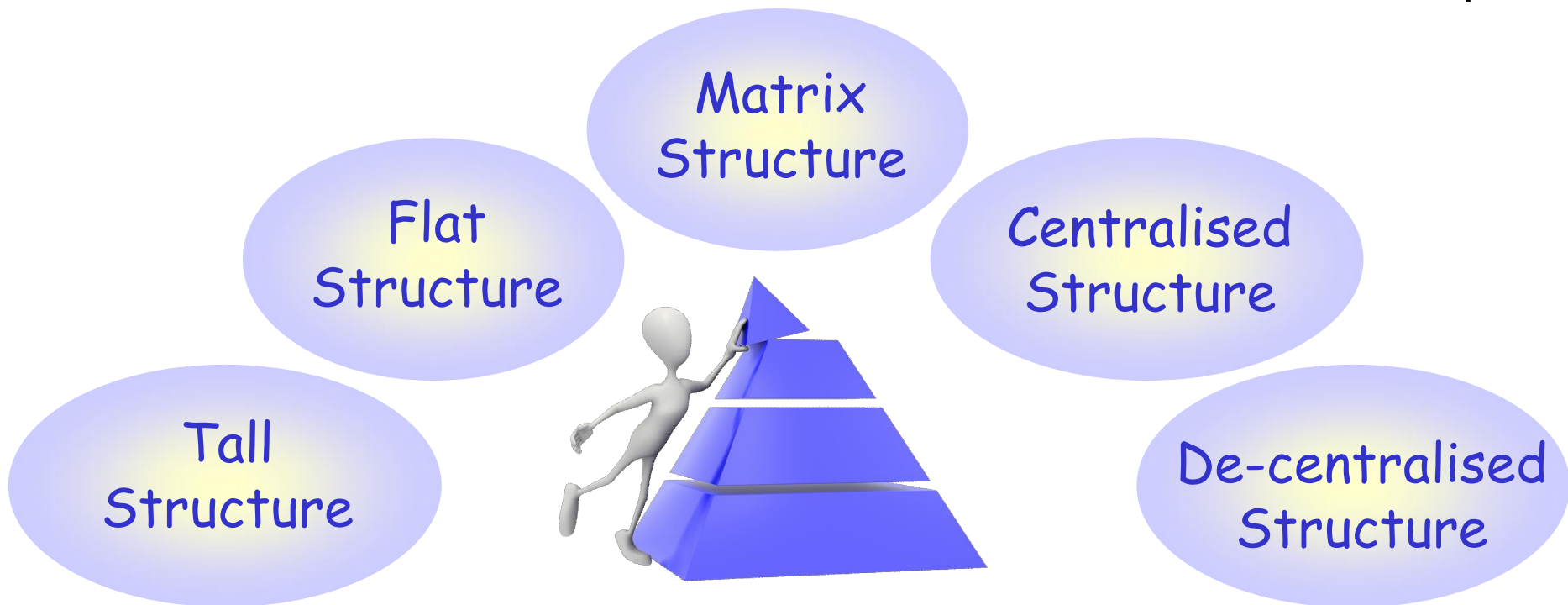
The number of people each manager is responsible for is known as the **SPAN OF CONTROL**

E.g. the Sales Manager has a span of control of 2 people in this example



# What Affects Organisational Structure?

- The structure of an organisation depends on:
  - The Objectives
  - The Culture
- There are a number of structures that a business can adopt:



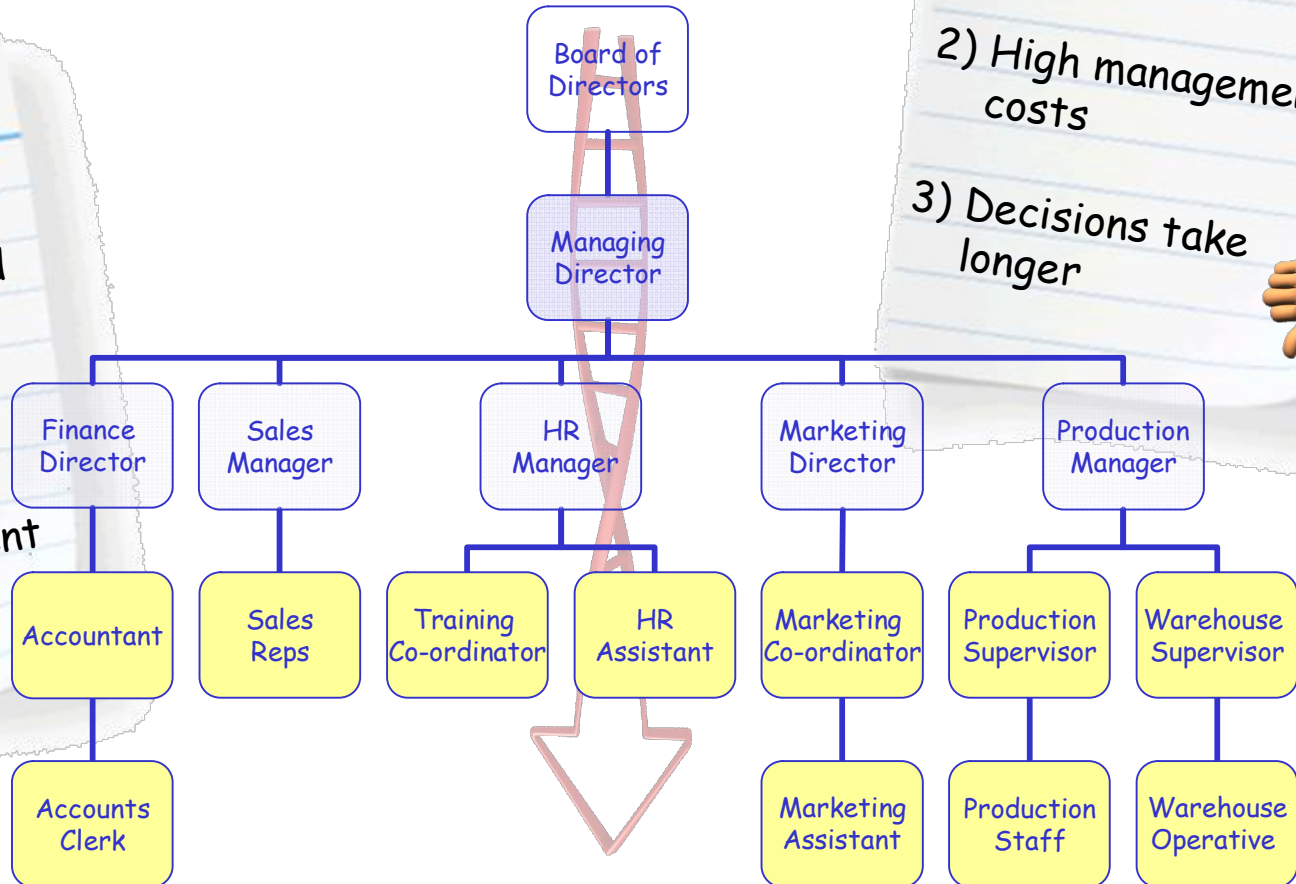


# Tall Structure

- The simplest form of organisation
  - Common in large businesses, E.g.:
- They usually have a long chain of command

**Advantages**

- 1) Employees can be closely supervised
- 2) Good promotion prospects
- 3) Clear management structure



**Disadvantages**

- 1) Employees may feel restricted
- 2) High management costs
- 3) Decisions take longer



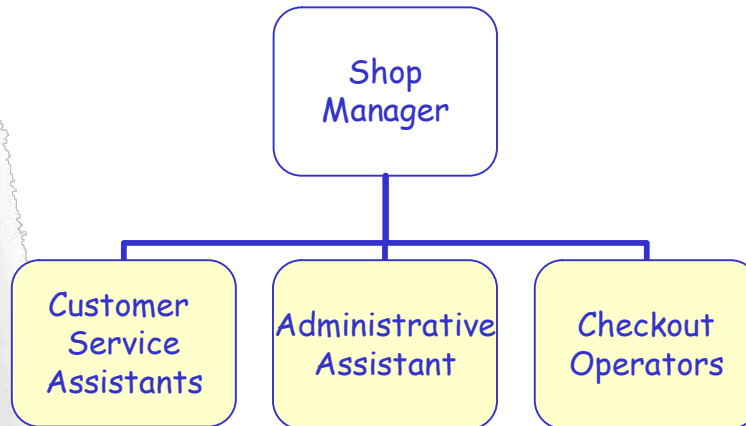


# Flat Structure

- These have fewer layers in them, E.g.:
- Common in small organisations
  - Where there are few staff

**Advantages**

- 1) Better communication
- 2) Decision-making is easier
- 3) Reduces labour costs



**Disadvantages**

- 1) Less chance of staff promotion
- 2) Can hinder business growth
- 3) Roles can become blurred



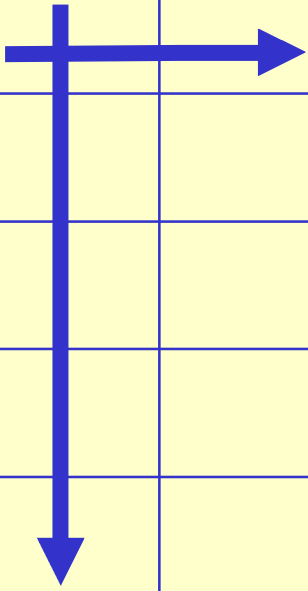




# Matrix Structure

- Often used for specific projects
- It involves creating teams which contain specialists from each area of the Business, e.g.:

	Team 1	Team 2
Finance		
Marketing		
Human Resources		
ICT		
Production		



## Advantages

- 1) Staff can be allocated roles based on their strengths
- 2) It offers flexible methods of working



## Disadvantages

- 1) Teams can be difficult to monitor
- 2) It can cause possible conflicts between departments



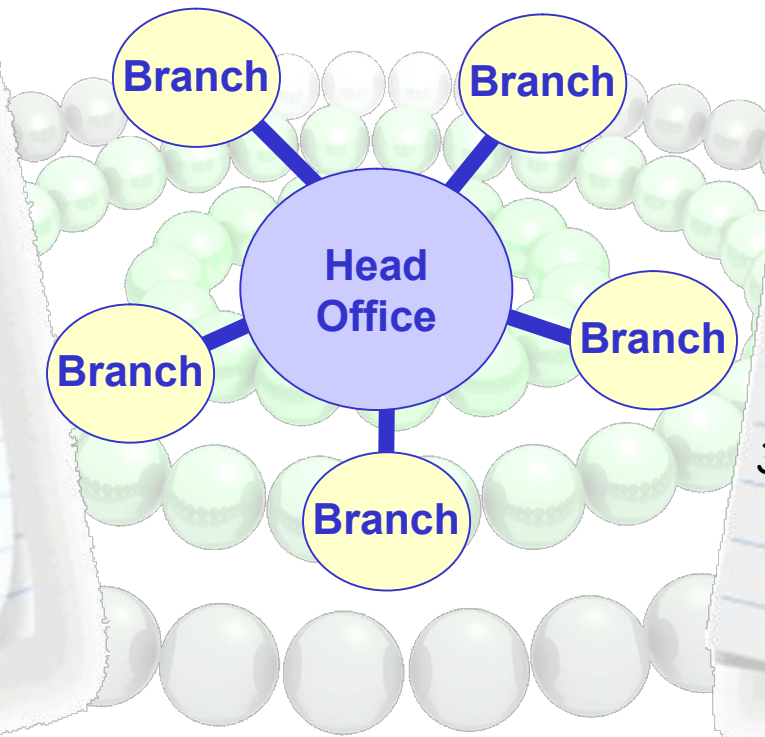


# Centralised Structure

- **Centralisation** involves keeping all the major responsibilities at the centre of the organisation, e.g.:

## Advantages

- 1) Senior management have more control
- 2) Standard procedures mean cost savings
- 3) Decisions are made for the good of the business



## Disadvantages

- 1) Branch managers have little responsibility
- 2) Few promotion opportunities
- 3) Workers don't feel involved in decisions



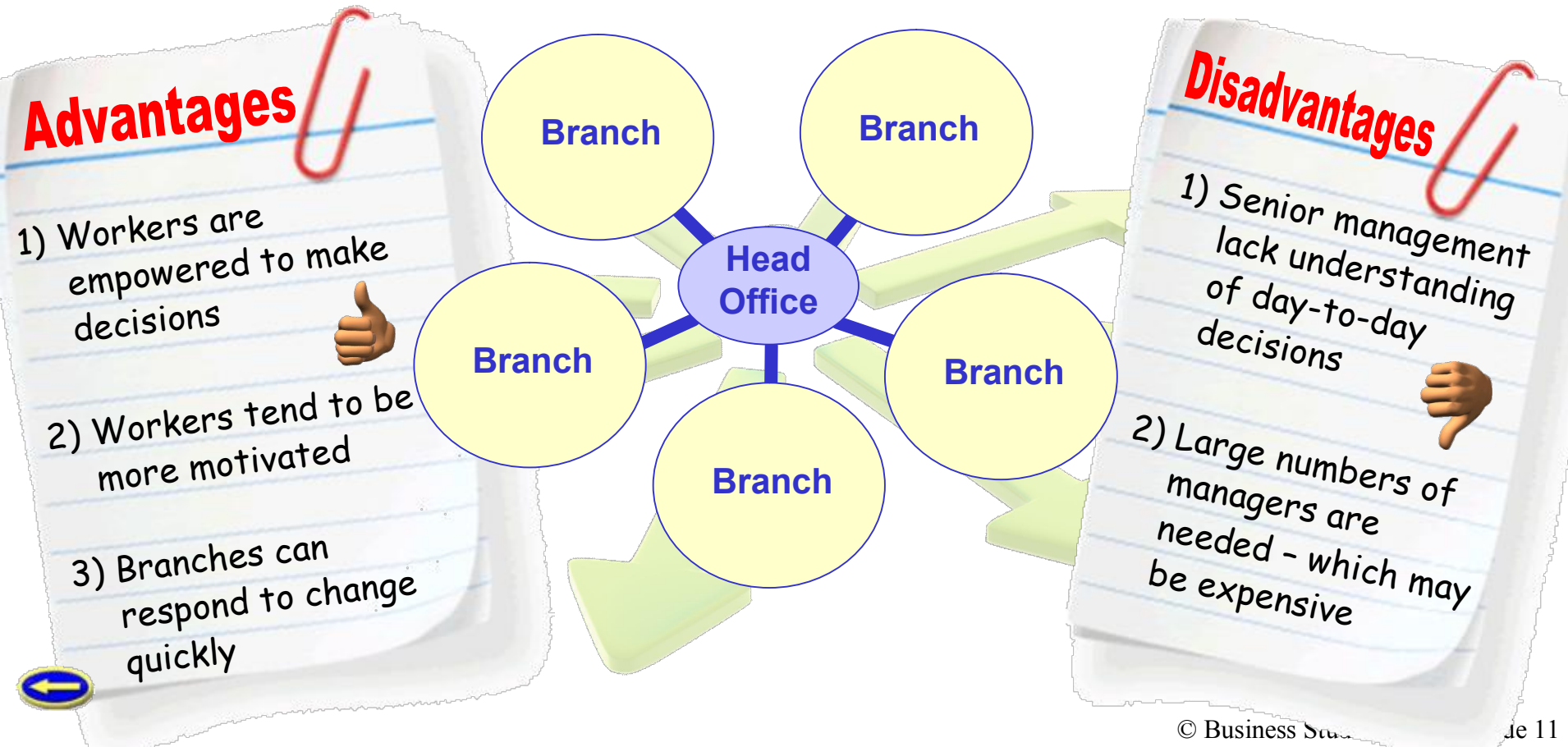


# Decentralised Structure

- **Decentralisation** involves giving decision-making powers to individual branches of an organisation

- So Head office will set targets

- But individual branches are free to decide how these targets are met





# Why Have A Formal Structure?

- Structures determine how well a business will function

- Clear structures allow people to see:

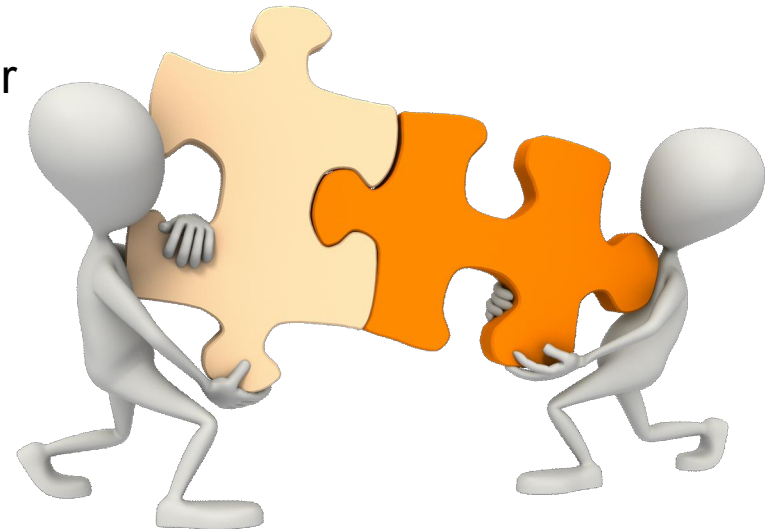
- What jobs people do – how the team fits together
- Who they are responsible to
- Who and what they are responsible for

- Successful structures:

- Maximise efficiency
- Retain order and command
- Promote flexibility and creativity

- An inappropriate organisation structure can hinder the success of a business and cause:

- Poor communication
- Decision-making can be slow





# Problems With Organisation Charts

- They can get **VERY** complicated for a large organisation
- Can be static and inflexible, unless updated regularly
- Does not show how the “**informal**” communication process works
  - E.g. “the grapevine”
- However, they are very useful because:
  - They show who is in charge of what, or whom
  - They make it clear that different people have different job descriptions
  - Highlight problems of:
    - Too many levels of hierarchy
    - Too greater span of control

