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ORGANIZATIONAL STRUCTURE

WHAT IS AN ORGANIZATIONAL STRUCTURE?

- Refers to the levels of management and division of responsibilities within an organization.

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THE COSY CORNER CONVENIENCE STORE

- Owned and managed by Bill Murray.
- Sole trader business.
- Bill has no employees.
- He works a long day – 12 hours usually.
- Does all the jobs involved in running a busy convenience store.



THE COSY CORNER CONVENIENCE STORE

Think-Pair-Share:

- What tasks would Bill need to do to run the store?

Ordering
new
stock

Serving
customers

Going to
the bank
to pay in
cash

Arranging
shelf
displays

Keeping
paperwork
up to date

Advertising
in the local
newspaper

Finance

Cleaning



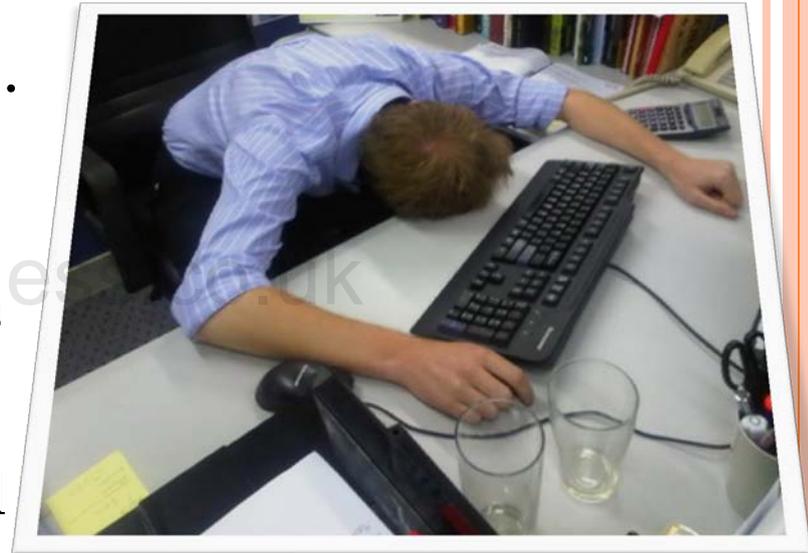
THE COSY CORNER CONVENIENCE STORE

- There is no need for an organizational structure because he is working alone.
- There is no need to lay out other responsibilities for employees and no other management levels.
- **However...**



THE COSY CORNER CONVENIENCE STORE

- Bill is EXHAUSTED!
- It is the end of another long day... and he needs help!
- He has realized that he's not superman and cannot do everything on his own.. So he has decided to hire a shop assistant.
- He wanted to make the tasks and responsibilities clear.
 - Why?

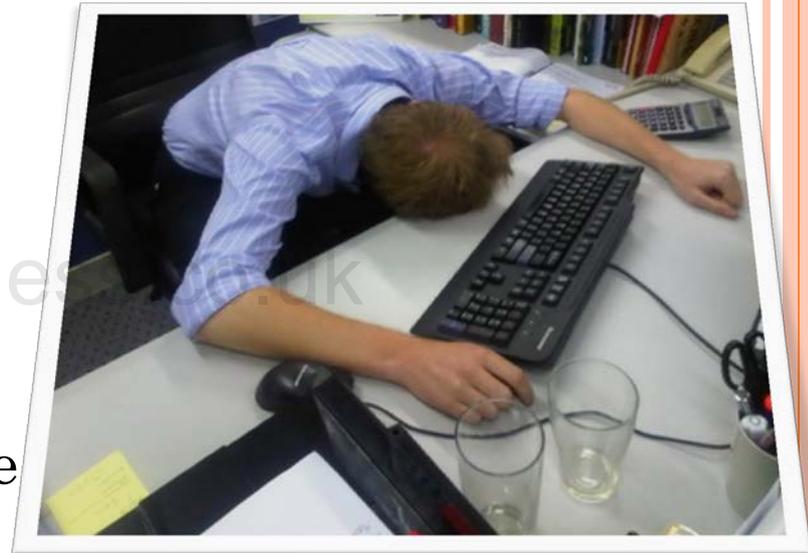


1. Two people might end up doing the same job.
2. Some work might not be done at all.



THE COSY CORNER CONVENIENCE STORE

- Bill is going through a very important concept – delegation!
- This means that Bill will be giving authority to do certain tasks – but the final responsibility is his.
- So, assuming he hires Anna to help him – he can give her the task of arranging the shelves. She will arrange them and he will be responsible to make sure that they are correctly displayed.



DELEGATION: WHAT ARE THE BENEFITS?

For the manager

- Cannot do every job themselves.
- Less likely to make mistakes if some of the tasks are being performed by their subordinates.
- Measure the success of their staff more easily.

For the subordinate

- The work becomes more interesting and rewarding.
- The employee feels important and believes that trust is being put in them to perform a job well.
- Delegation helps to train workers and they can make progress in the organisation – giving them career opportunities.

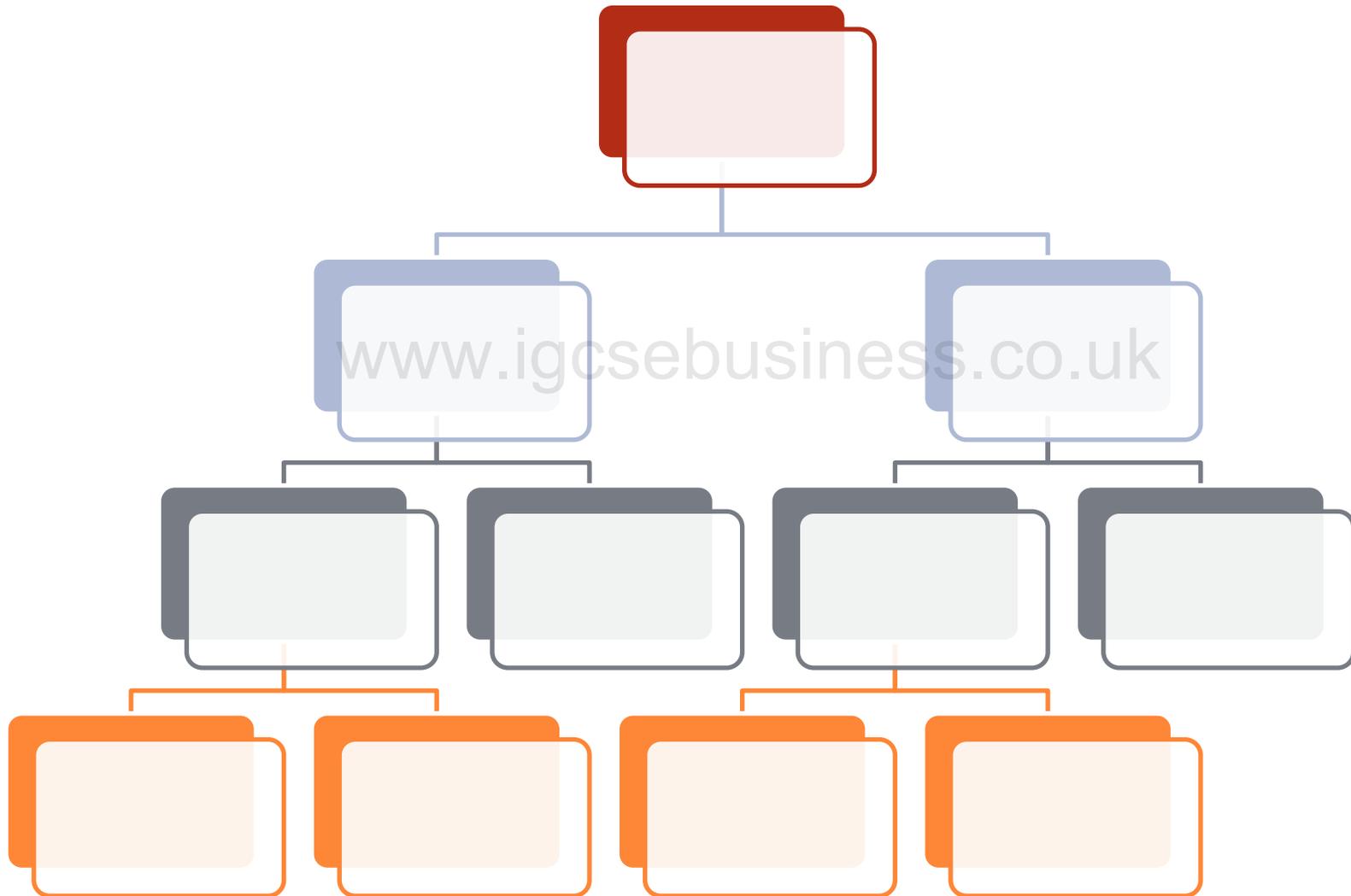


DELEGATION: WHY MIGHT A MANAGER NOT DELEGATE?

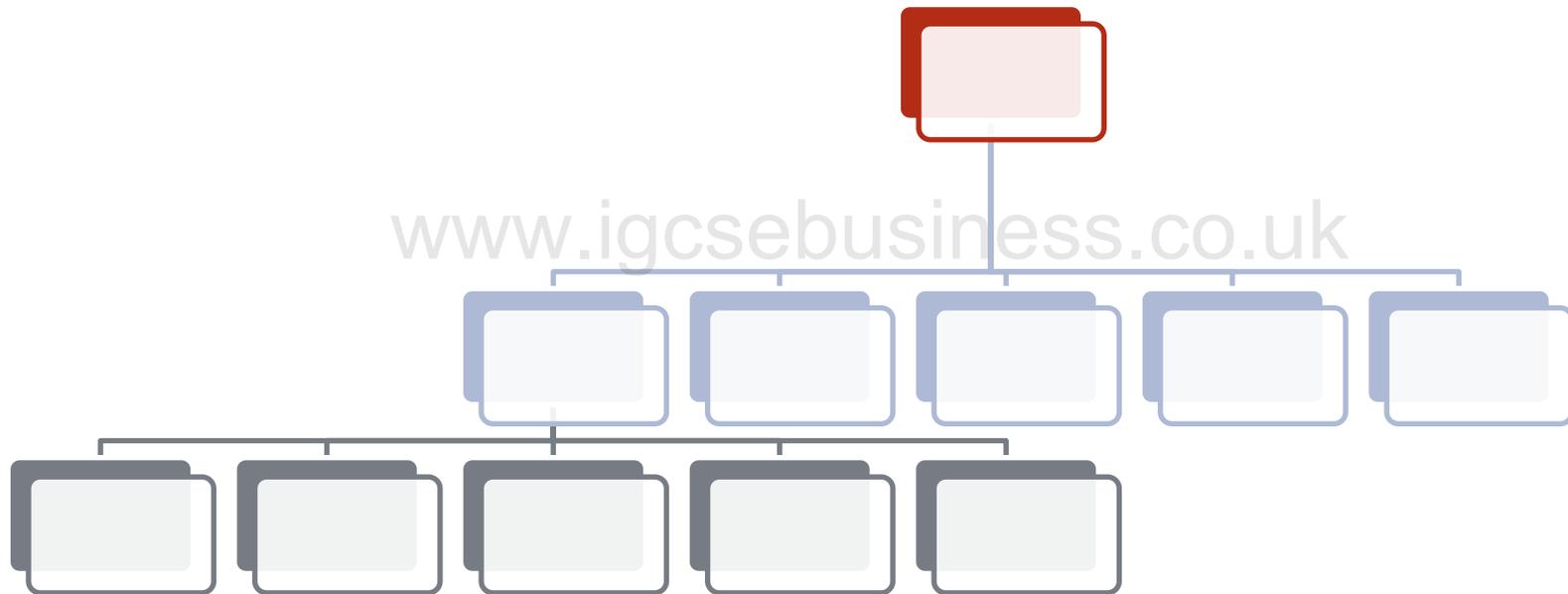
- Trust issue: Managers could be worried that the subordinates might fail.
- Manager could want to control everything himself.
- Insecure manager: There's a risk that the subordinates might do a better job than the manager and so the manager is worried that he/she might be replaced!



ORGANISATIONAL CHARTS - A



ORGANISATIONAL CHARTS - B



ORGANISATION CHARTS

○ Chain of Command

- The structure in an organisation which allows instructions to be passed down from senior management to lower levels of management.

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○ Span of Control

- The number of subordinates working directly under a manager.



ORGANISATION CHARTS

○ Chain of Command

- Chart A has a long chain of command.
- Chart B has a short chain of command.

○ Span of Control

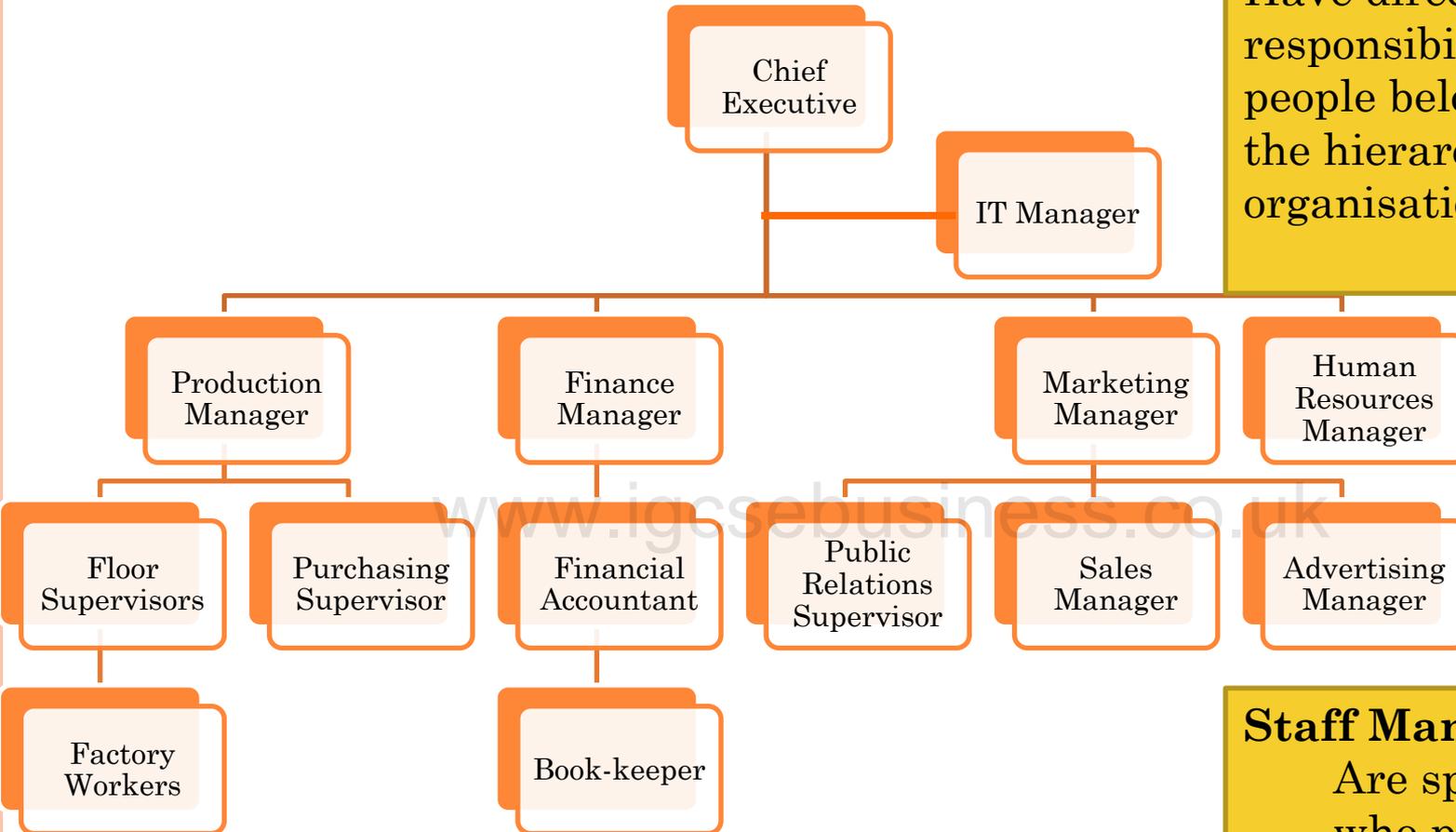
- Chart A has a tall structure of span of control.
- Chart B has a wide structure of span of control.

- Therefore... the longer the chain of command, the taller will be the organisational structure and the narrower the span of control.



FUNCTIONAL DEPARTMENTS

Line Managers
Have direct responsibility over people below them in the hierarchy of an organisation



Staff Managers
Are specialists who provide support, information and assistance to line managers.

- Could you draw up the organisational chart for the upper school?

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DECENTRALISATION

- A centralized management structure means that most decisions are taken at the centre of the business by higher levels of management.

- A decentralized management structure means that many decisions are not taken at the centre of the business but are delegated to lower levels of management.



WHAT ARE THE ADVANTAGES OF A DECENTRALIZED MANAGEMENT STRUCTURE

- Decisions are taken by people who are 'closer to the action'.
- Managers taking the decision feel more trusted and will have more satisfaction from their work.
- Quick decision-making



THE COSY CORNER CONVENIENCE STORE

J O B D E S C R I P T I O N

Shop Assistant

Main tasks

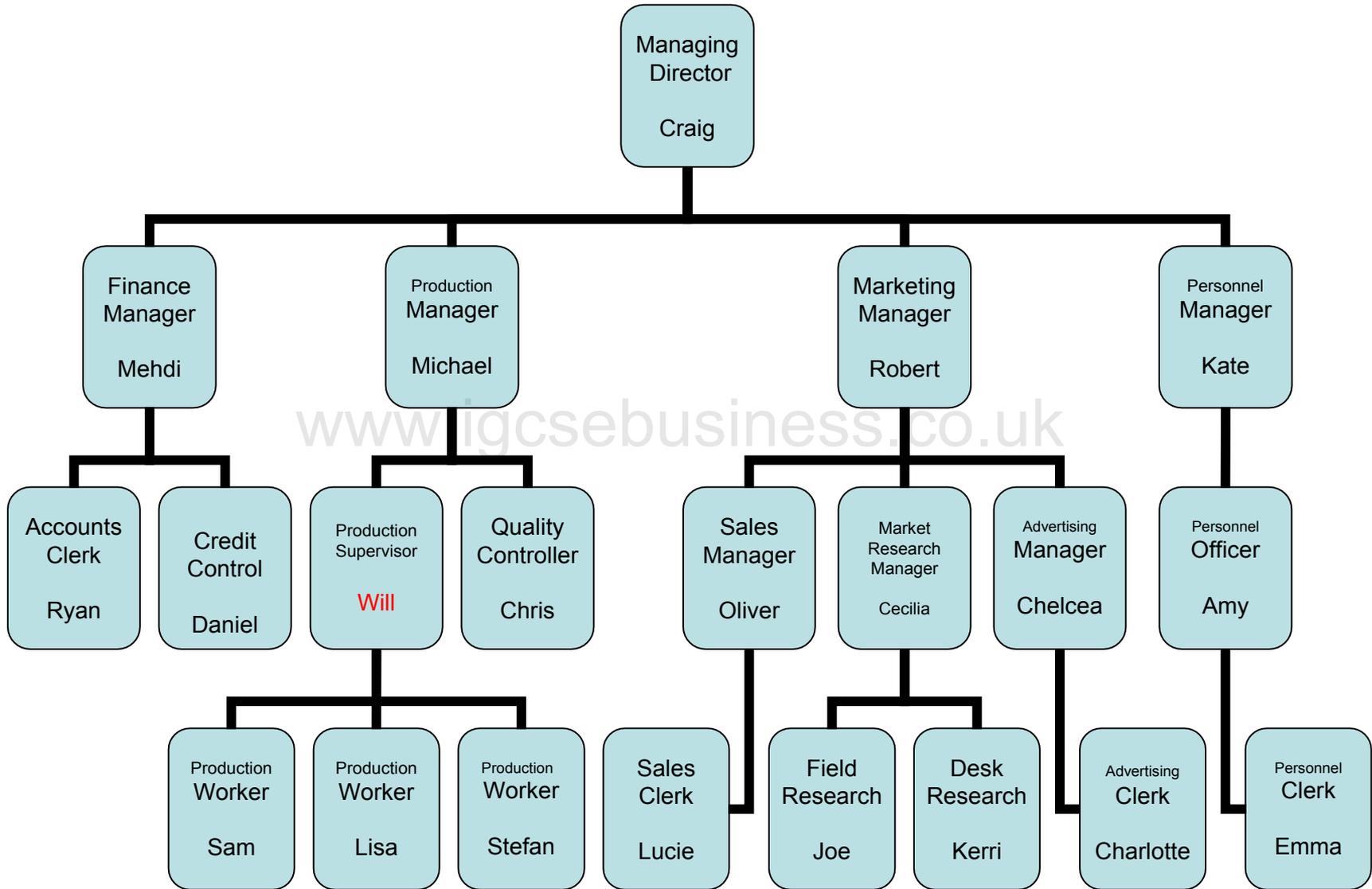
- To open the shop in the morning.
- To be responsible for ordering all goods from suppliers.
- To arrange all shelf displays.
- To help serve customers.
- To assist the manager in other ways directed by him.

Working Conditions

- Five days a week.
- Eight hours a day.
- Four weeks' holiday – by negotiation, but not at same time as the manager.



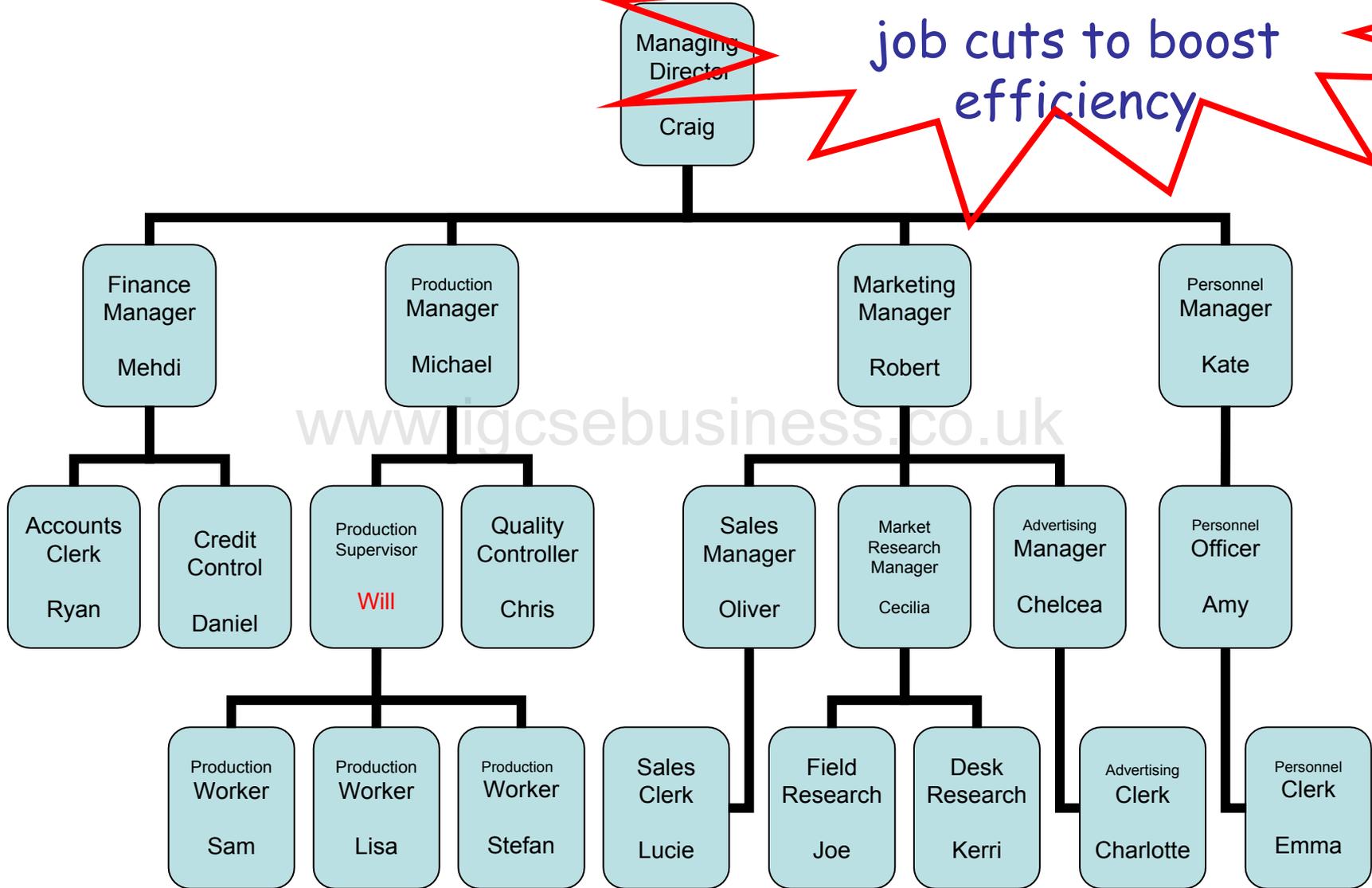
to be able to describe **delayering** and **redundancy**



Organisation chart Delayering Voluntary redundancy Compulsory redundancy Natural wastage

to be able to describe **delayering** and **redundancy**

Shareholders demand
job cuts to boost
efficiency

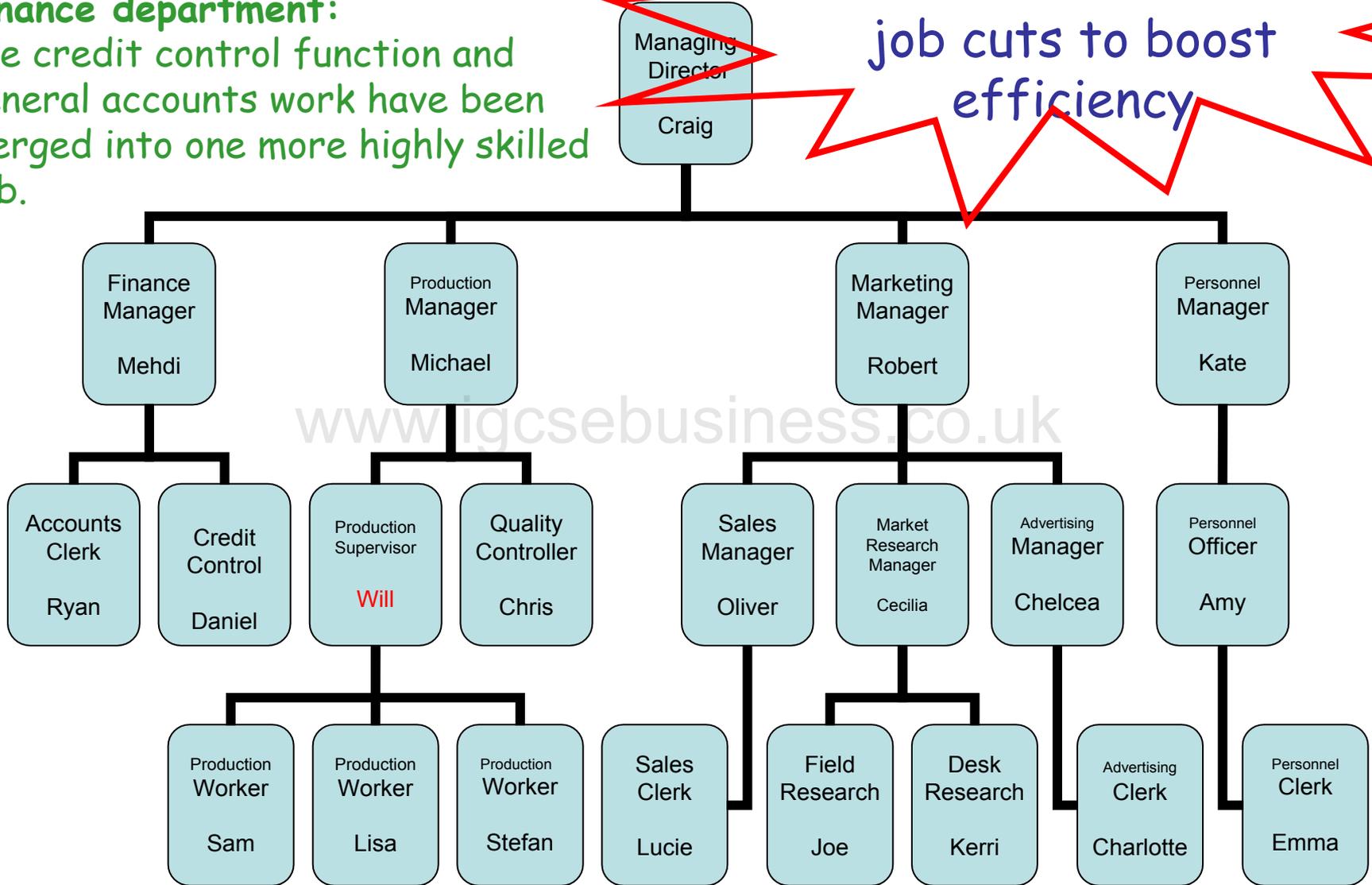


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Finance department:
the credit control function and general accounts work have been merged into one more highly skilled job.

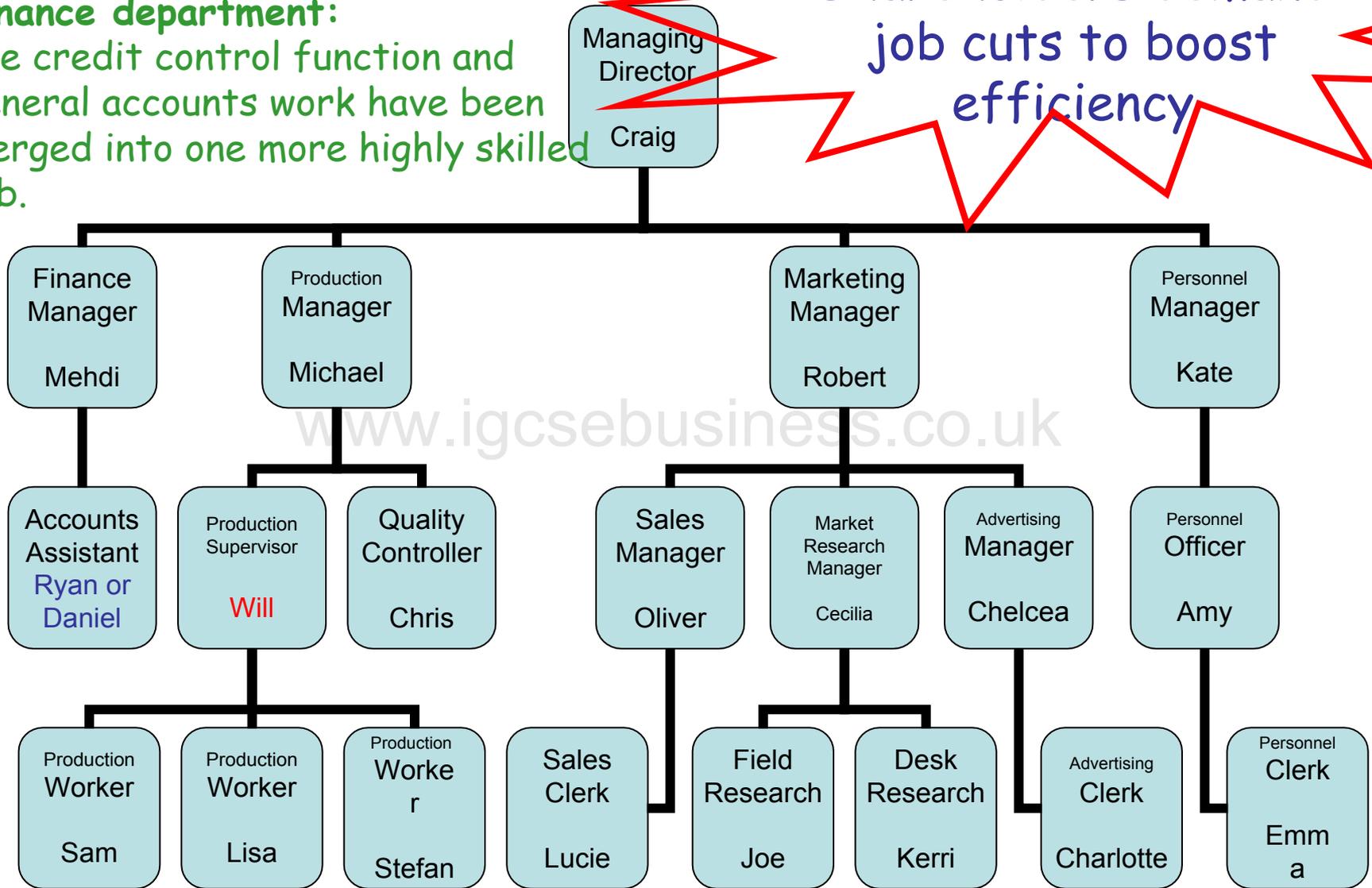
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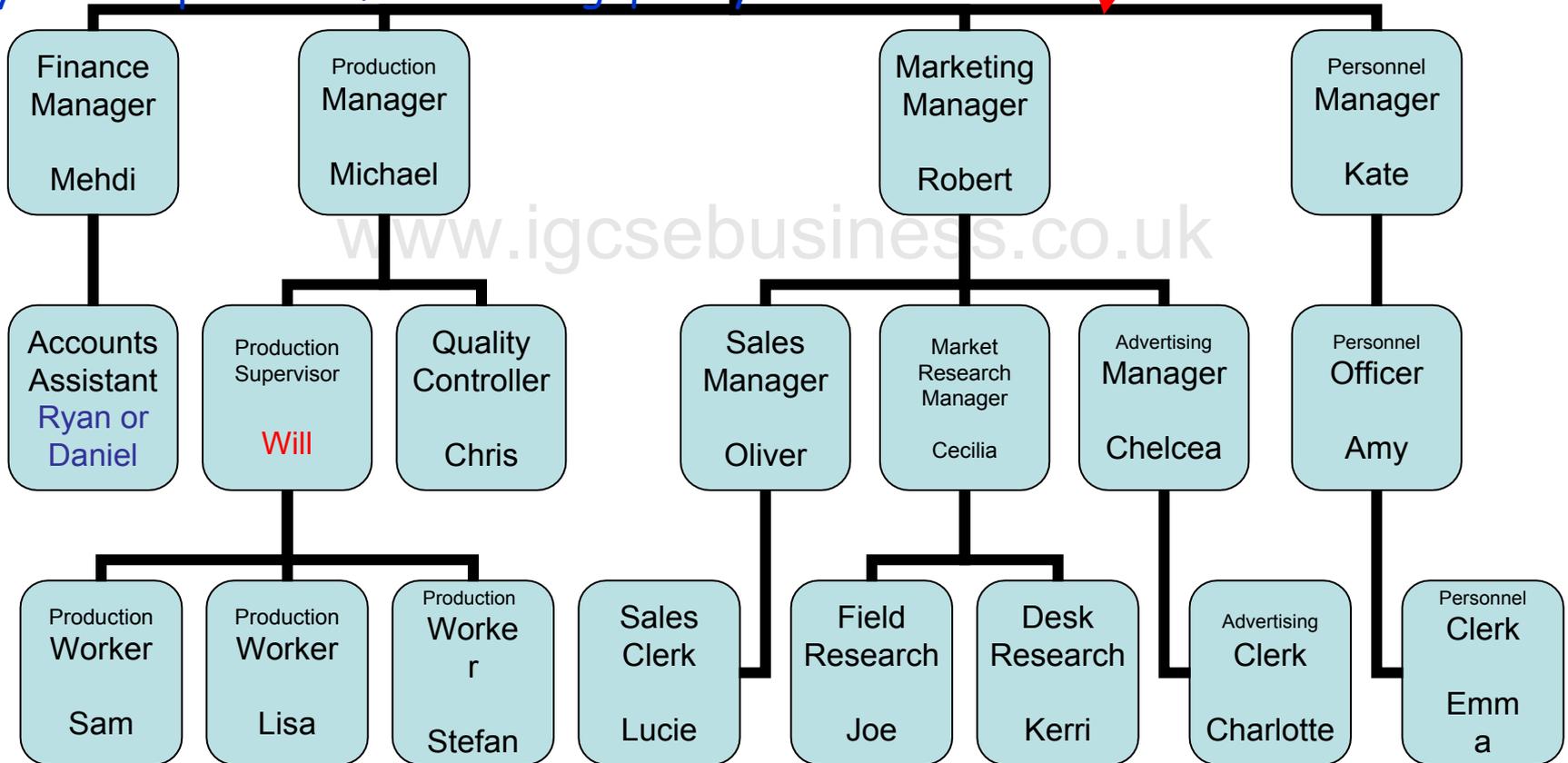


to be able to describe **delayering** and **redundancy**

Production department: the workers have been given more responsibility for their work. They are given weekly targets and left to organise themselves. They are responsible for ensuring quality.

Shareholders demand job cuts to boost efficiency

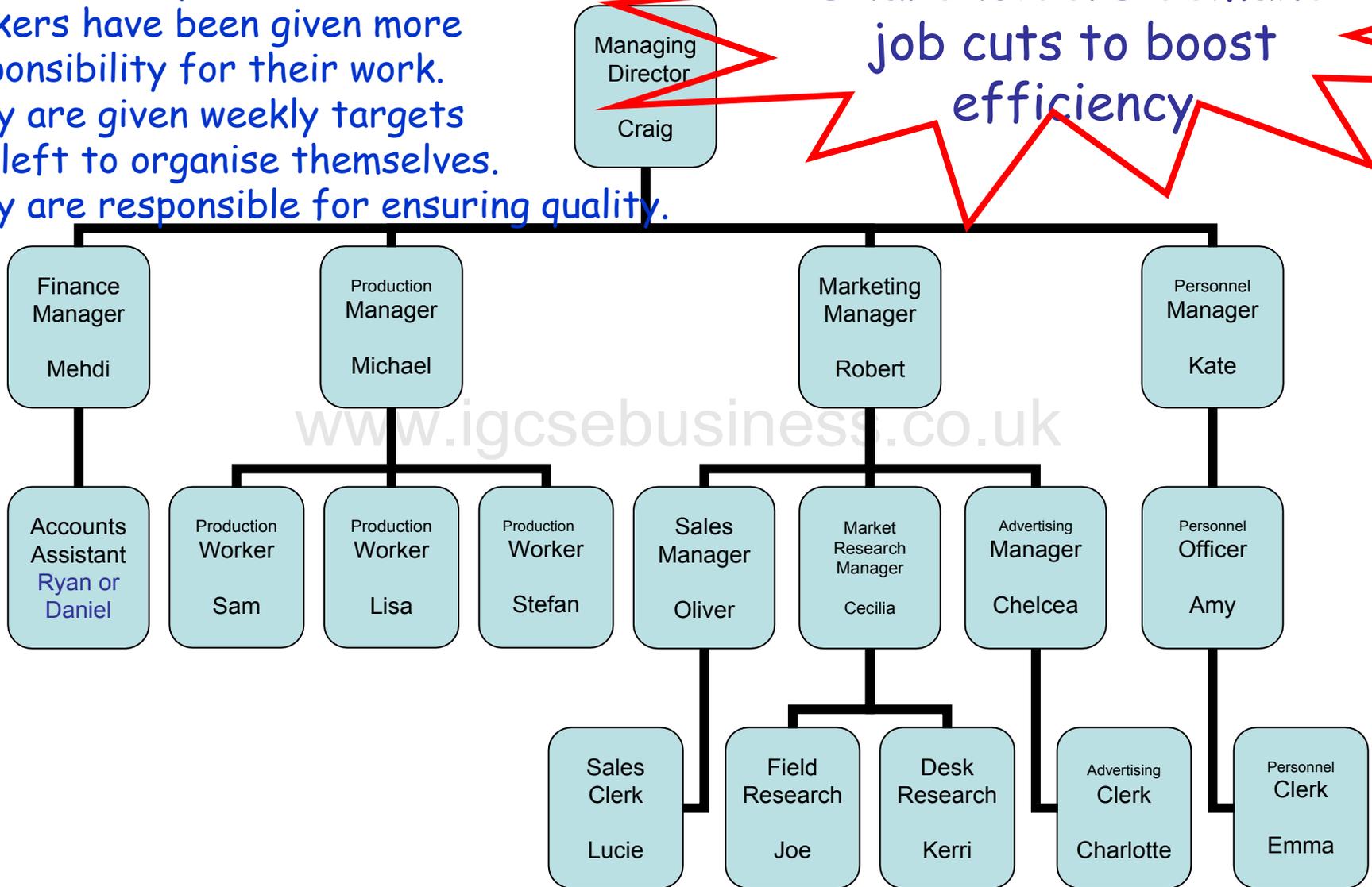
Managing Director
Craig



to be able to describe **delayering** and **redundancy**

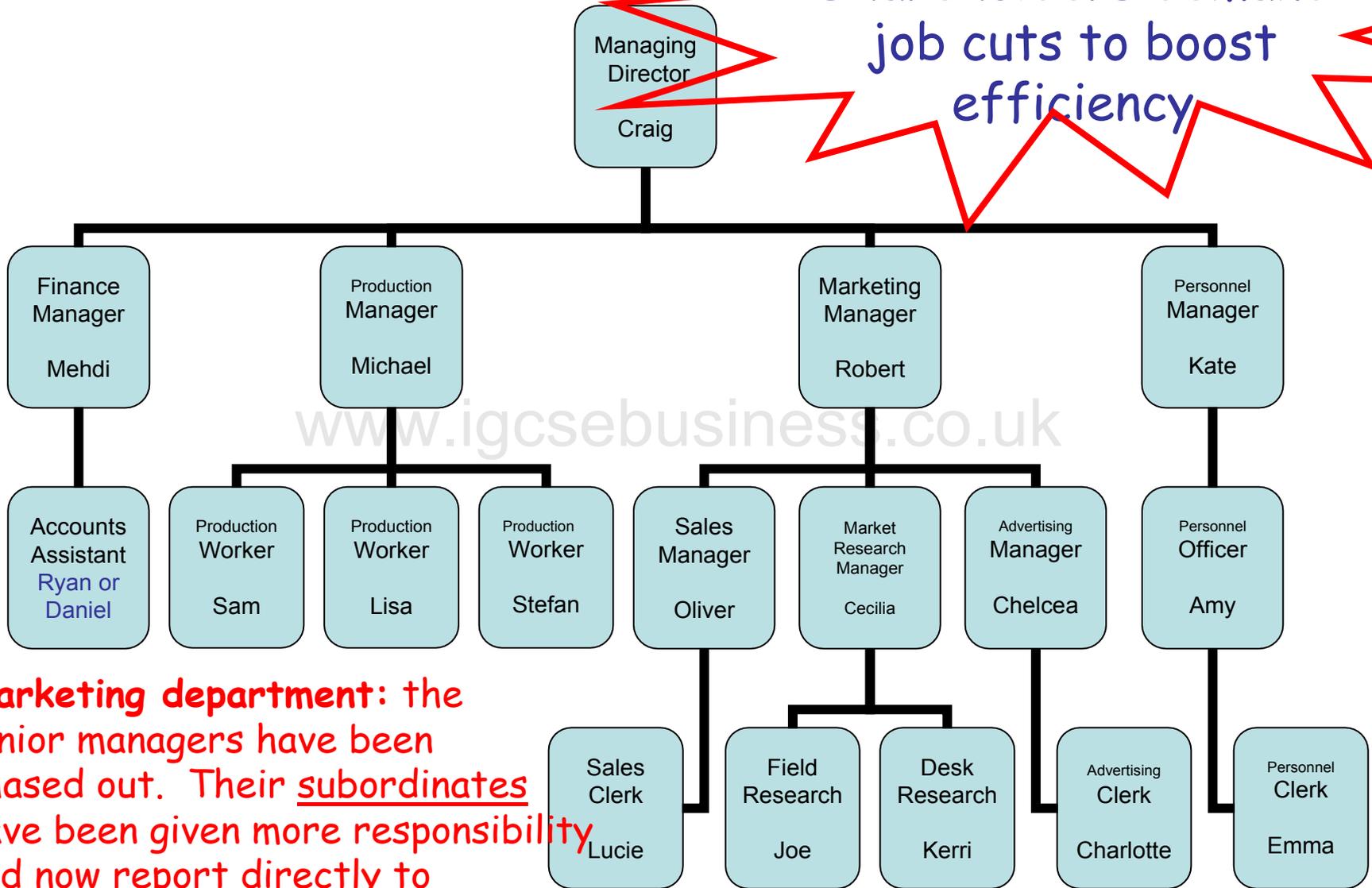
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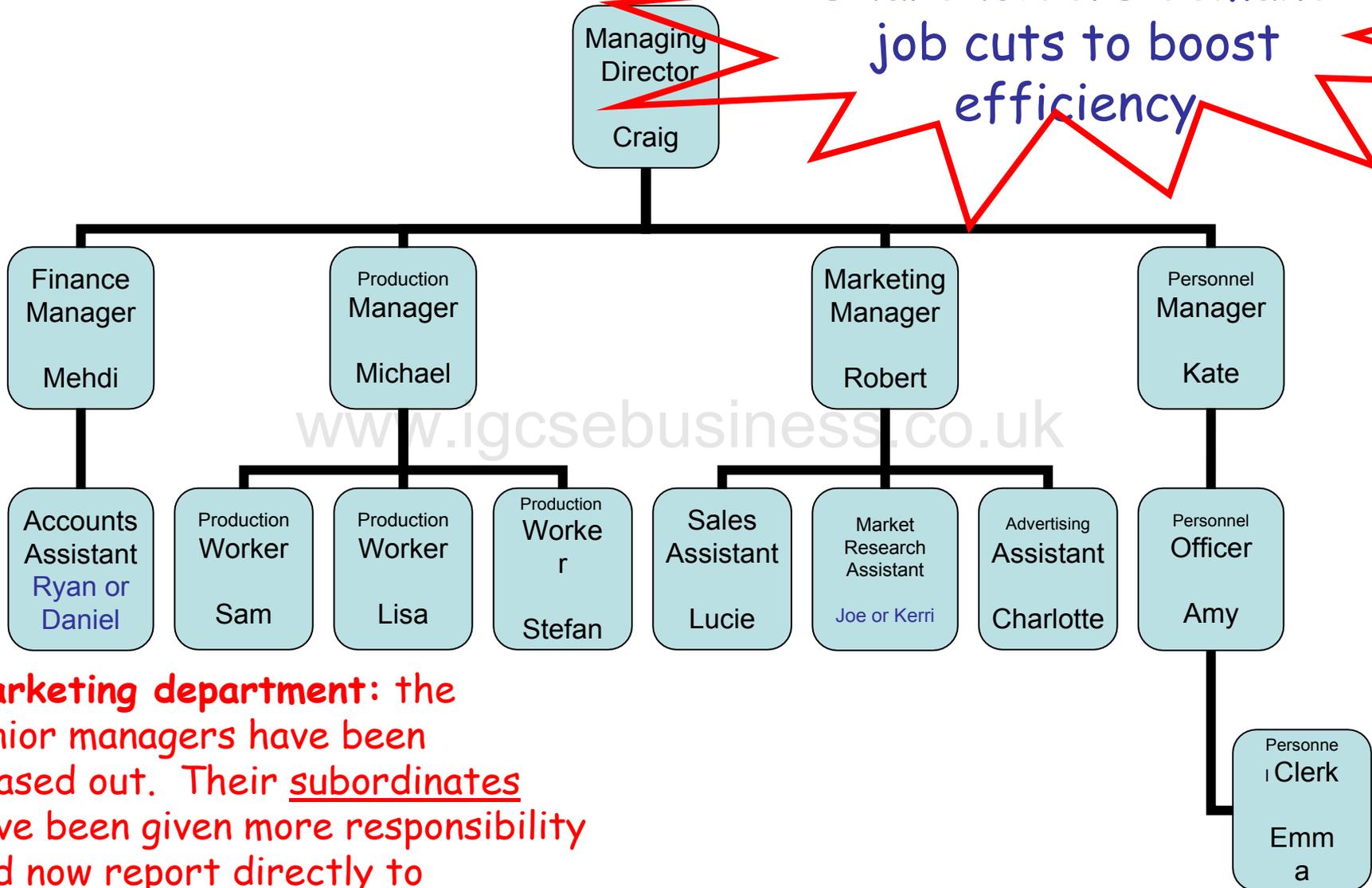
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Robert. The field and desk research is now the responsibility of one person.

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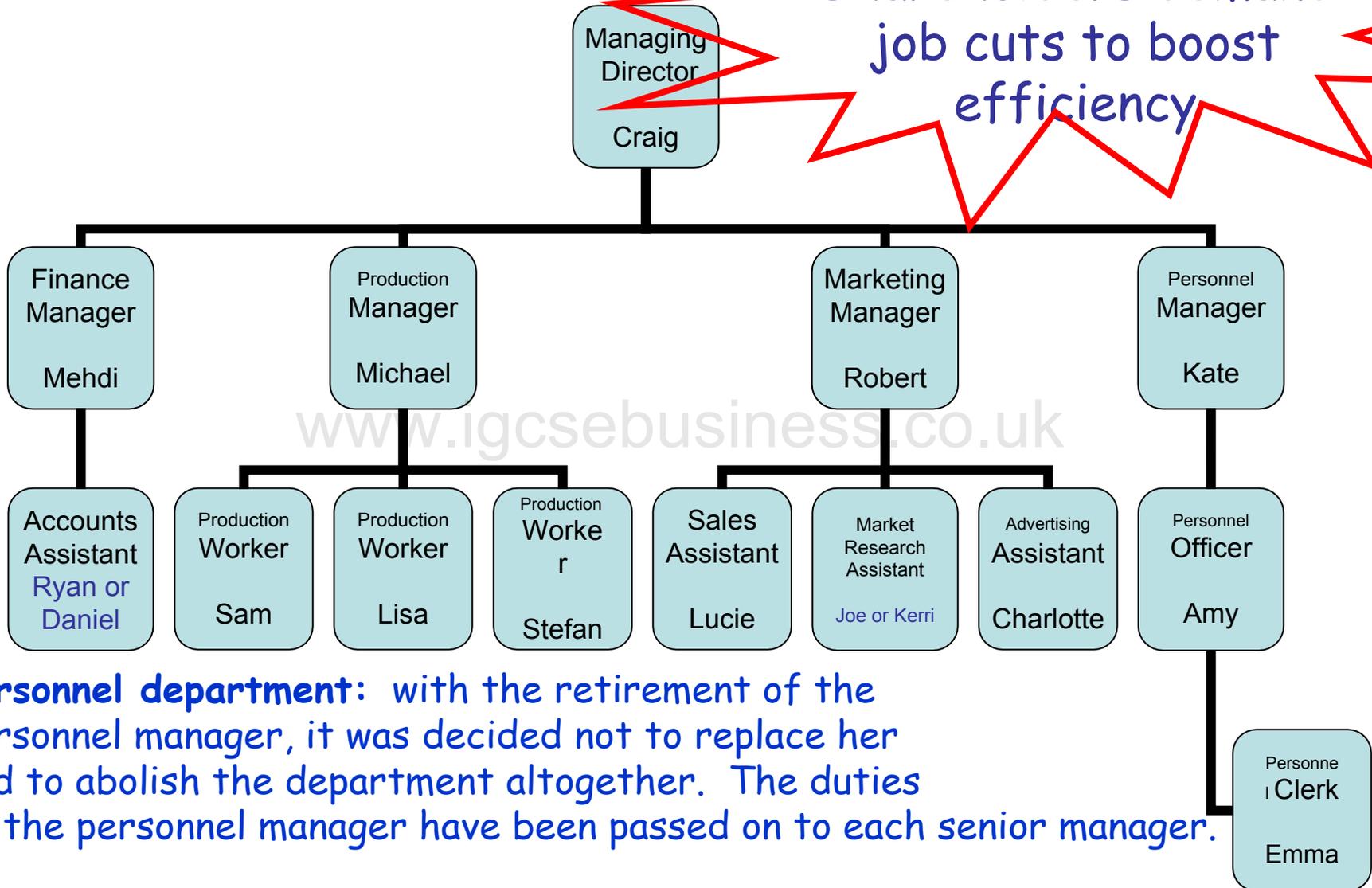
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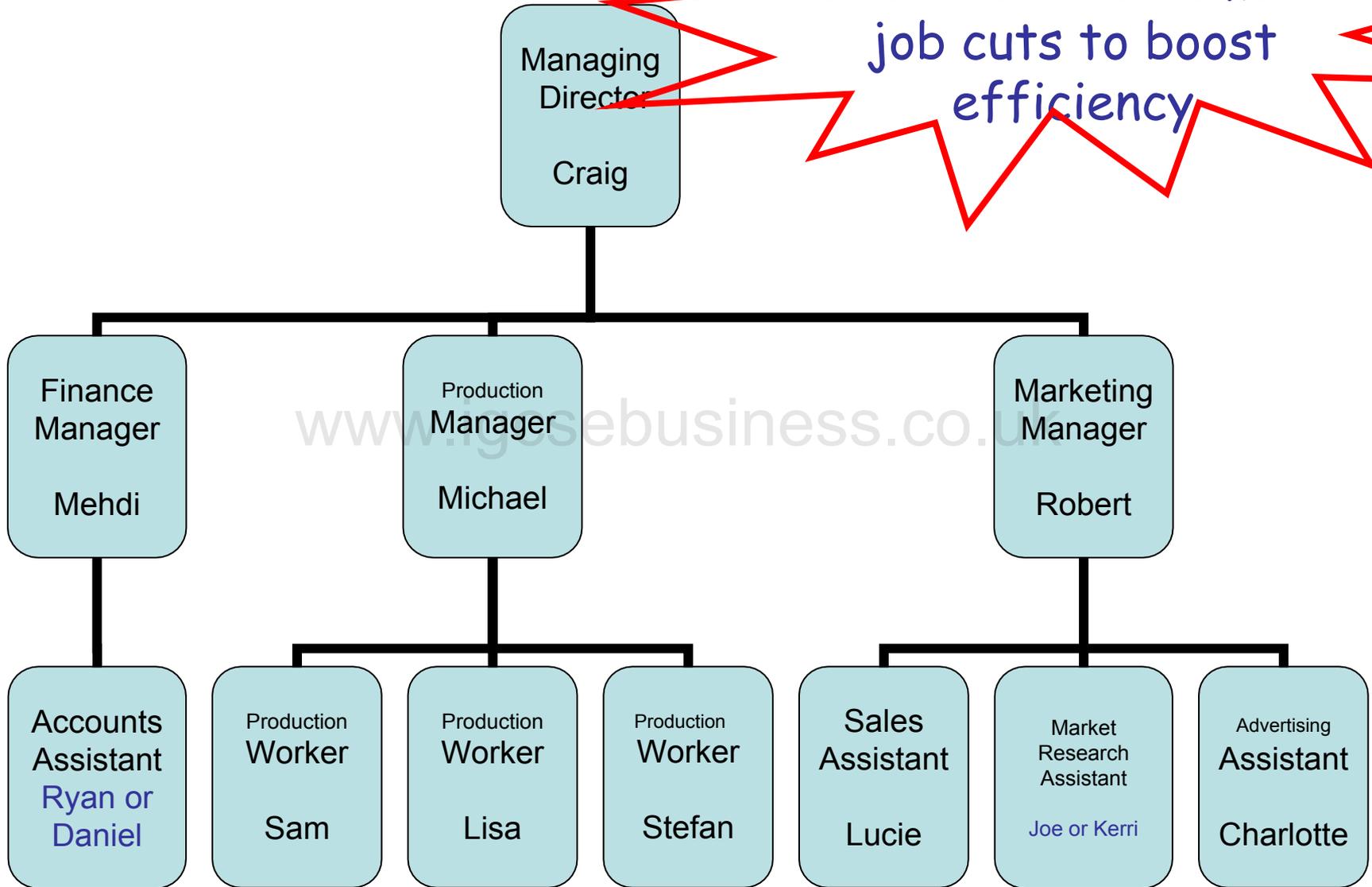
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Organisation chart

Delaying

Voluntary redundancy

Compulsory redundancy

Natural wastage

to be able to describe **delaying** and **redundancy**

The Efficiency Drive

Pressure from the shareholders to cut costs has forced the MD to re-structure the organisation. He has decided to de-layer the business.

Finance department: the credit control function and general accounts work have been merged into one more highly skilled job.

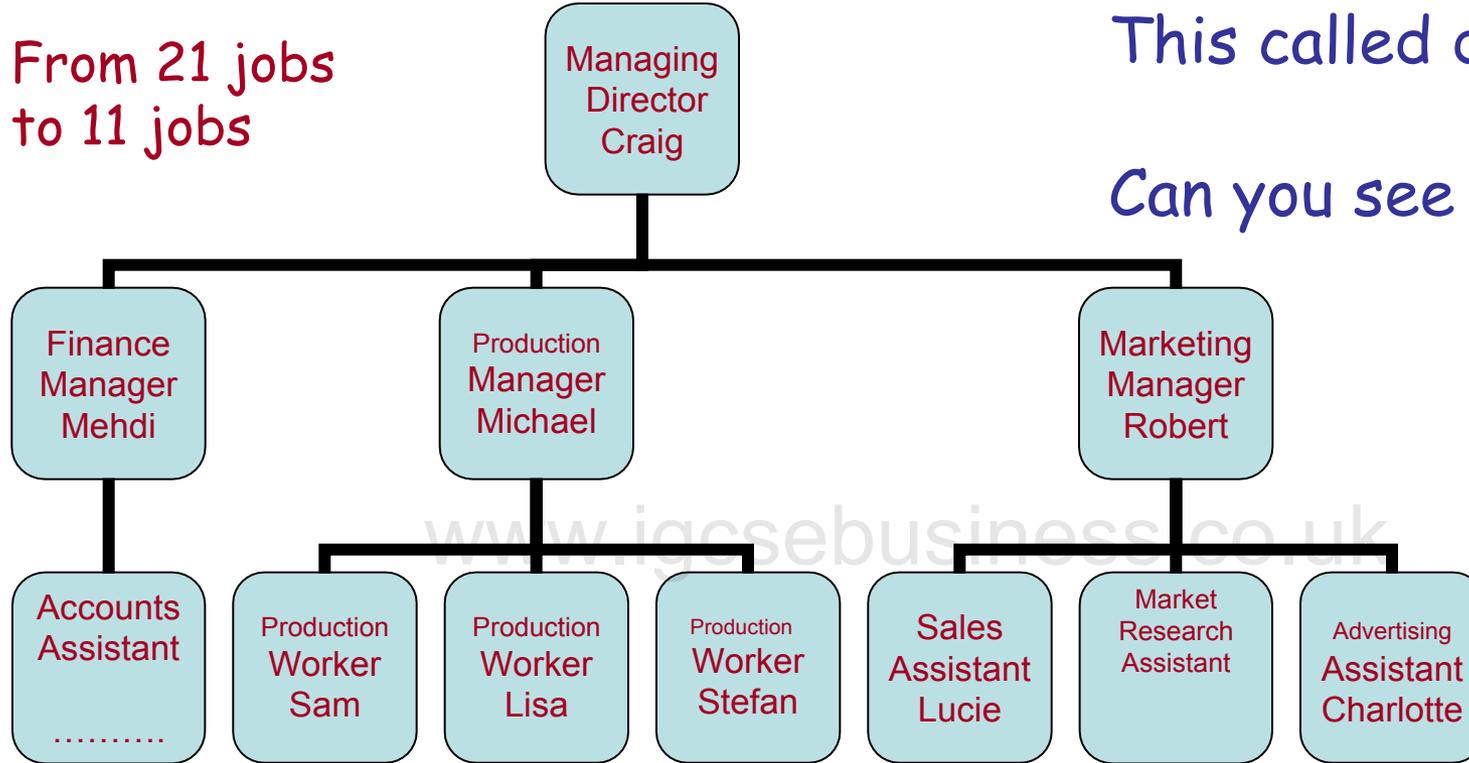
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Personnel department: with the retirement of the personnel manager, it was decided not to replace her and to abolish the department altogether. The duties of the personnel manager have been passed on to each senior manager.

to be able to describe **delayering** and **redundancy**

From 21 jobs
to 11 jobs



This called delayering

Can you see why?

Redundancies

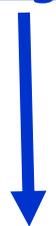
Amy Cecilia
Chelcea
Chris Emma Olly Will

Having to apply for same job

Ryan and Daniel
Joe and Kerri

Retiring

Kate



Organisation chart

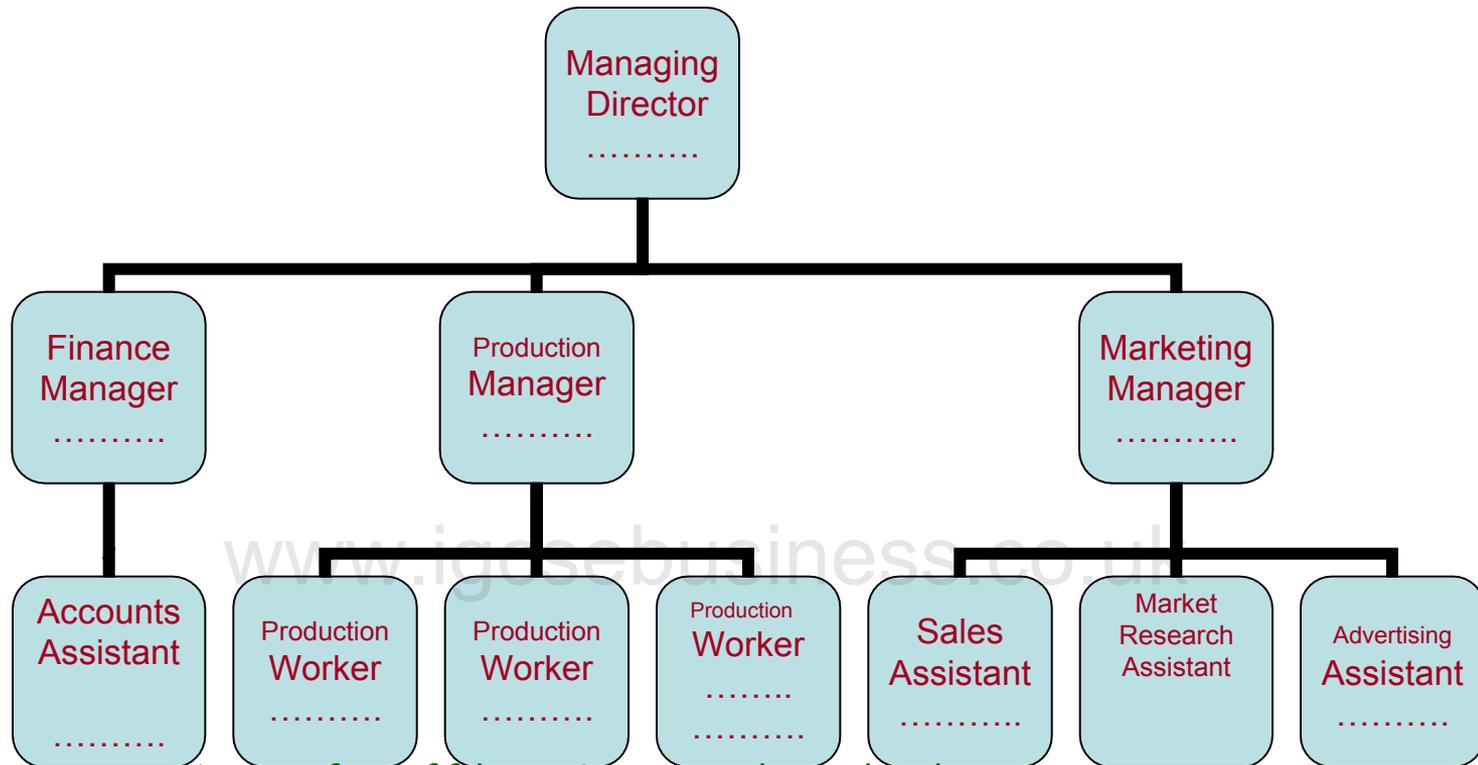
Delayering

Voluntary redundancy

Compulsory redundancy

Natural wastage

to be able to describe **delayering** and **redundancy**



1. How many members of staff have been made redundant?
2. Who left through natural wastage?
3. Who was made redundant and invited to apply for a new job related to their previous work?
4. Who was made redundant and told that there was no job for them in the new structure?
5. Why does the MD think that this will make the business more efficient?
6. Is there any danger in this approach?
7. Define the terms which have been underlined.

to be able to describe **delaying** and **redundancy**

Redundancy rules [law]

Age 22-41

1 week pay for each year of
service [max £350 pw; 20 years]

Age 41+

1 ½ weeks pay for each year of
service [max £350 pw; 20 years]

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to be able to describe **delaying** and **redundancy**

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Redundancies

Amy [30] £250 pw 4 yrs

Cecilia [45] £300 pw 15 yrs

Chelcea [23] £200 pw 6 mth

Chris [35] £270 pw 10 yrs

Emma [27] £200 pw 5yrs

Ollie [55] £350pw 30 yrs

Will [40] £300 pw 12 yrs

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Redundancy rules [law]

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1 ½ weeks pay for each year of service [max £350 pw; 20 years]

Redundancies

Amy [30] £250 pw 4 yrs £1000

Cecilia [45] £300 pw 15 yrs £6750

Chelcea [23] £200 pw 6 mth £0

Chris [35] £270 pw 10 yrs £2700

Emma [27] £200 pw 5yrs £1000

Ollie [55] £350pw 30 yrs £10500

Will [40] £300 pw 12 yrs £3600

to be able to describe **delayering** and **redundancy**

Key words to learn

E. To remove levels in an organization chart

D. When a firm is forced to lose staff and has to pay them compensation

1. Organisation chart
2. Delayering
3. Voluntary redundancy
4. Compulsory redundancy
5. Natural wastage

C. A way of showing the departmental structure of a business

A. When a firm has to cut jobs and some people agree to leave in return for money

B. When workers retire and are not replaced

to be able to describe **delayering** and **redundancy**

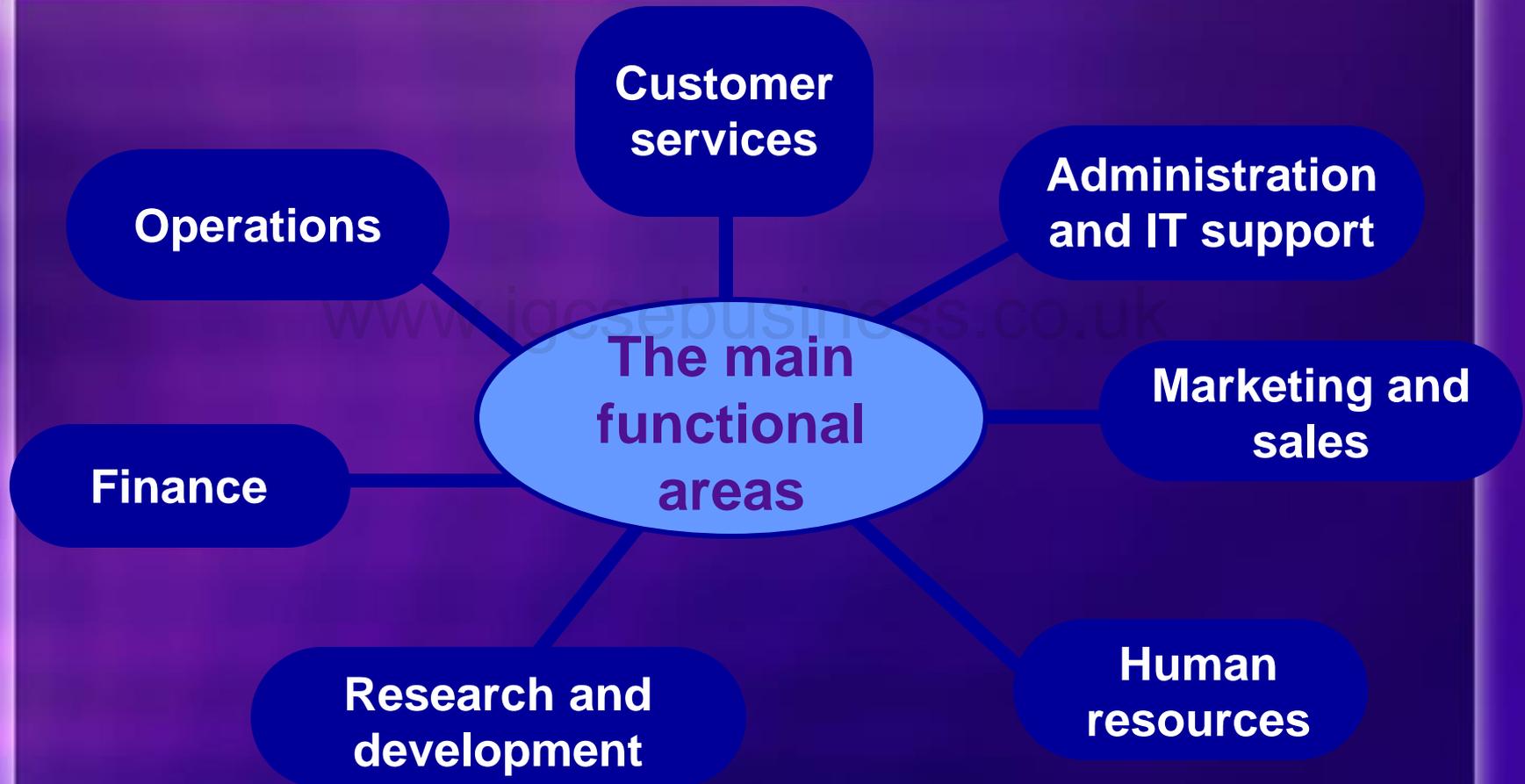
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- A. When a firm has to cut jobs and some people agree to leave in return for money
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Functional areas within business

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Key functions in business

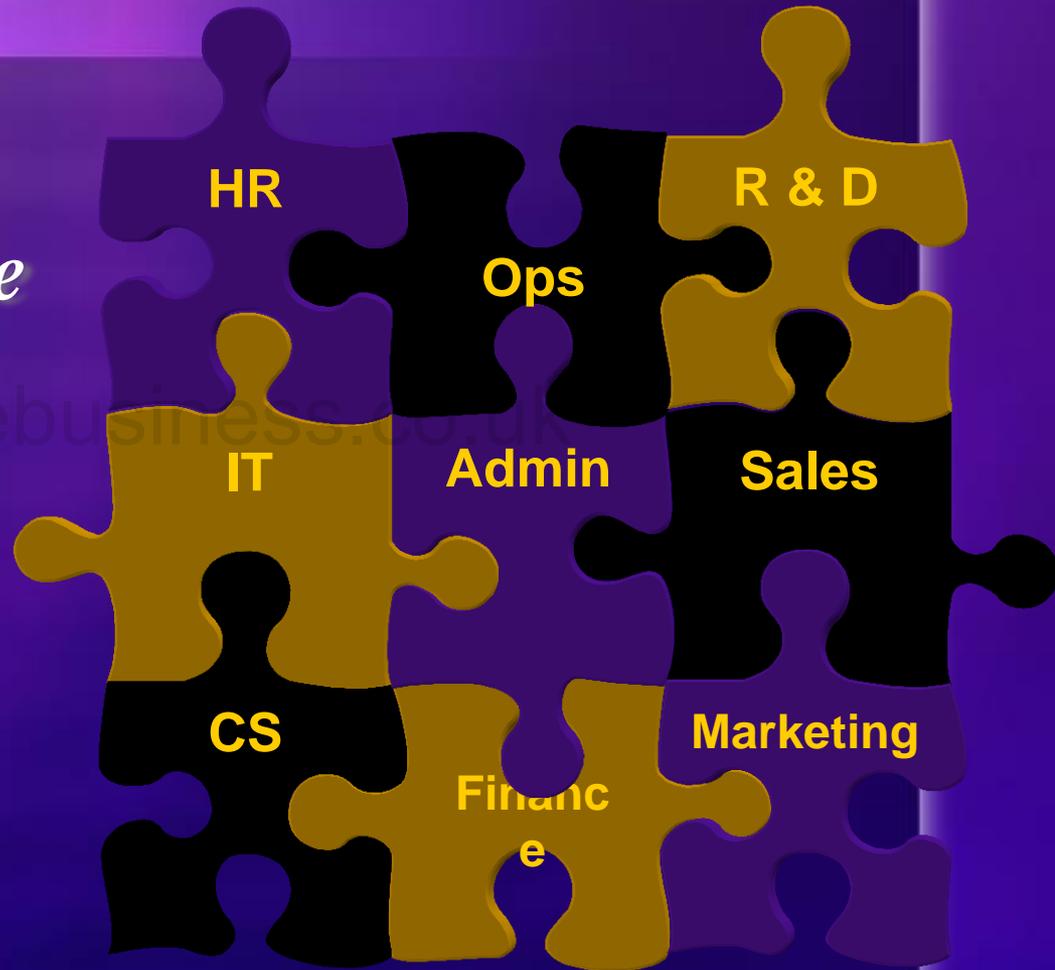


Delivering key functions

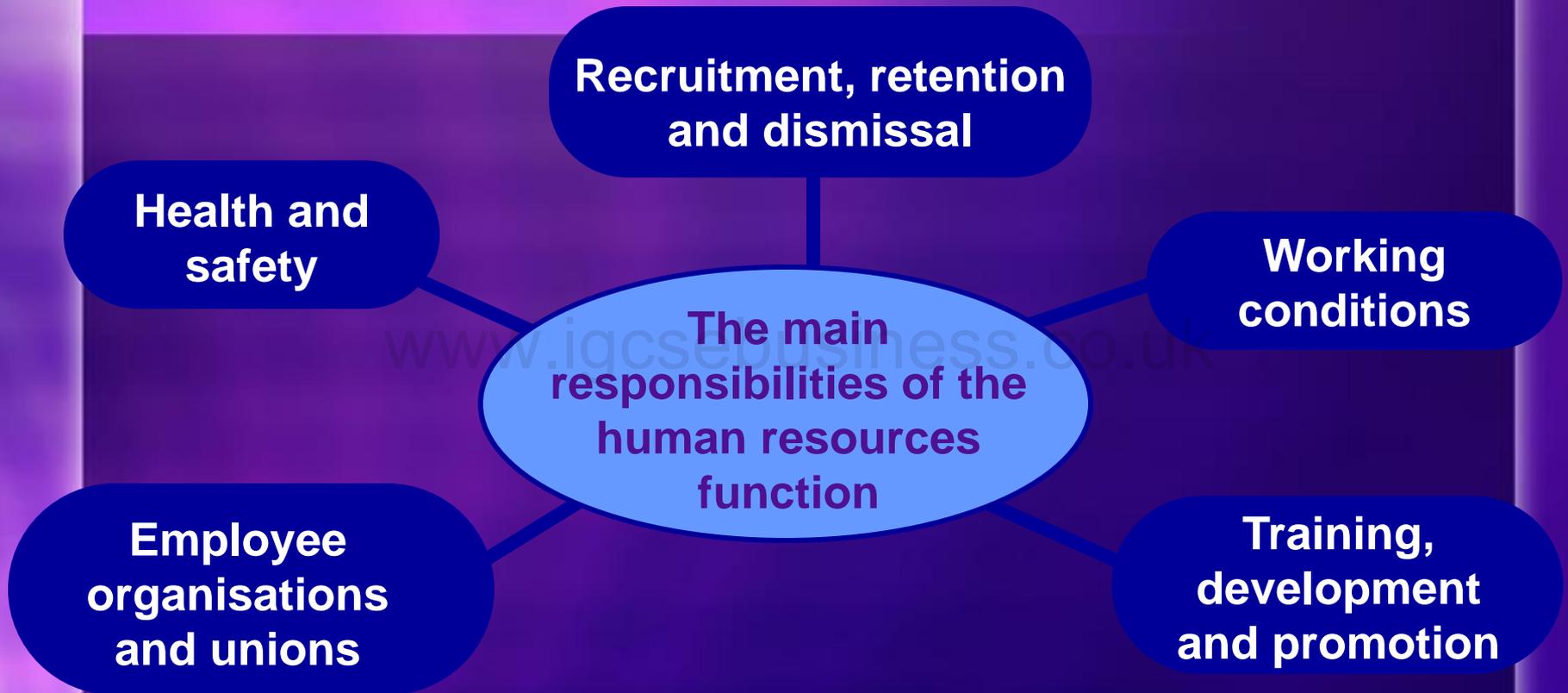
- *In a small business, will be done by individuals*
- *In a medium/large business, will be done by individuals working in **functional** areas or **departments***

Links between functions

- *All functional areas must link together to achieve the overall aims and objectives*
- *This means cooperation and good communications*



Human resources



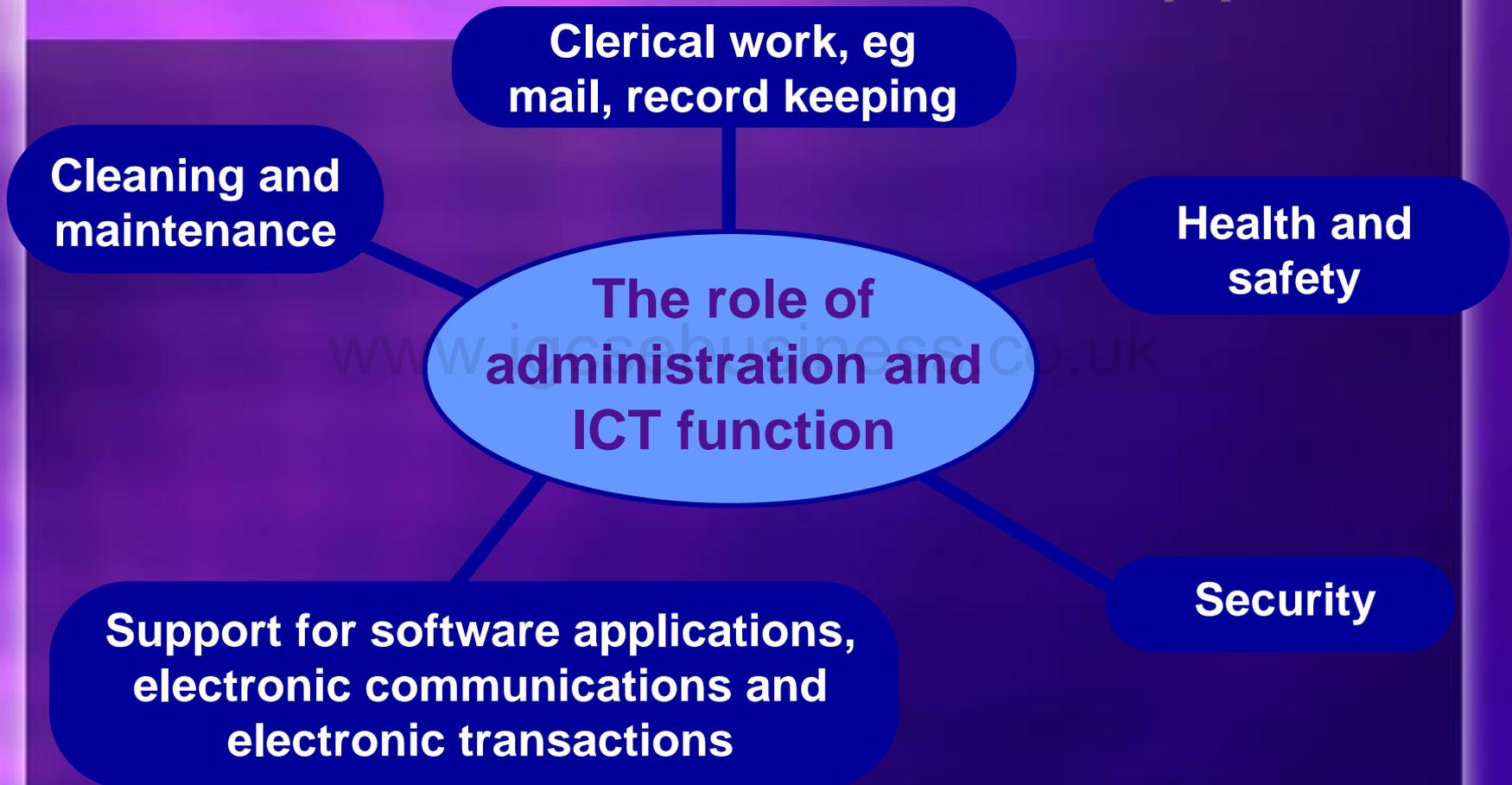
Includes the legal rights and responsibilities of employer and employees

Finance

Concerned with money and future plans

- *Preparing accounts, eg invoices, management accounts, financial accounts for shareholders and Inland Revenue*
- *Preparing wages and salaries*
- *Obtaining capital and resources, eg money for expansion or to pay for resources such as equipment and materials.*

Administration and IT support



Operations

- *Concerned with the main business activities*
- *Obtains and converts resources of the business into goods/services, ie*
 - *Buildings and land*
 - *Equipment*
 - *People*
 - *Materials*



Marketing and Sales

Both are concerned with customer needs.

Market research

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**Activities
include:**

Sales

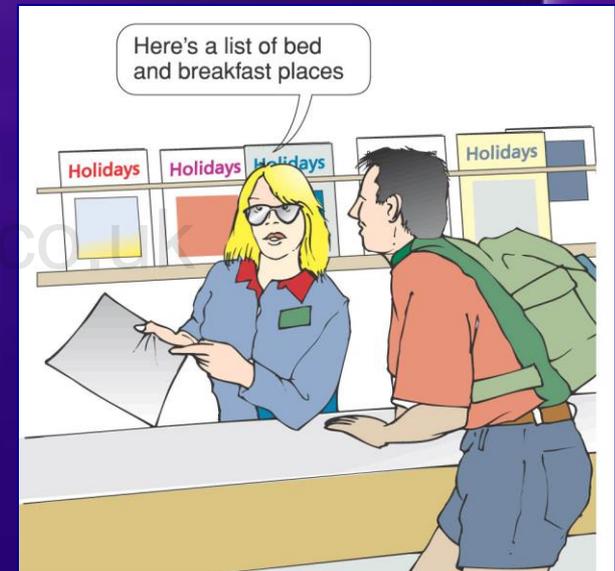
Promotion

Customer service

Concerned with customer relationships

Activities include:

- *Providing information*
- *Giving advice*
- *Providing credit facilities*
- *Delivering goods*
- *Providing after-sales service*



Research and development

Concerned with developing new goods/services and updating old ones

Activities include:

- *Technological developments*
- *Scientific research*
- *Design features*
- *Performance of product*



The use of IT

Relates to all functional areas:

- *Electronic communications (eg email)*
- *Data sharing (eg databases)*
- *Security systems (eg virus protection)*
- *External communications (eg Internet)*
- *Online support for customers (eg order tracking)*
- *Electronic transactions (eg EFT)*

Functional variations

No two businesses are the same!

Functions will vary because of:

- *Size and scale of business*
- *Activities of business*
- *Type(s) of customers*
- *Needs of customers*
- *Preferences of owner(s)*

Investigating functional areas

- *Identify key functions*
- *Find out where these carried out (or by whom)*
- *Check names of key areas/departments*
- *Identify links between functions/areas*
- *Identify use of IT within/between functions and customers*
- *Note any problem areas*

Managing a Business

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What do Managers Do?



Planning



Organizing



Co-ordinating



Commanding



Controlling

What trait does this manager need?

- Jenny is managing a business that invests in real estate for her clients. She looks at complexes and advises her clients on what to buy and when, with the best possible price.
- What are the most important traits that she needs?

What trait does this manager need?

- Julie is a young high school student who has started selling her own hand-made jewelry in the local jewelry market.

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- What are the most important traits that she needs?

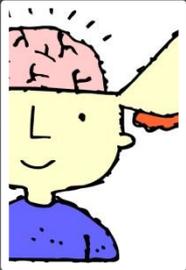
What trait does this manager need?

- Sandy is a CEO of one of the leading banks in the country. She is leading 500 people in her company and is the face in front of all the clientele dealing with the bank.
- What are the most important traits that she needs?

What trait does this manager need?

- Annie and Denise are business partners in one of the largest fast food chains in the country. Lately, they have been bombarded with competition and are pushing and shoving their way to remain leaders, retain their successful employees and motivate their workforce.
- What are the most important traits that they need?

What makes a good manager?



Intelligence



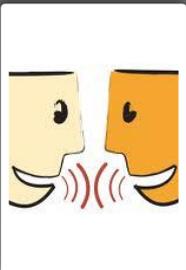
Initiative



Self-Confidence



Assertiveness and
Determination



Communication
Skills



Energy and
Enthusiasm

Are all decisions as important as each other?

Strategic Decisions

- Affect the overall success of the business.
- Not taken very often.
- Taken by senior managers and directors.
- Can include: future plans for the business, long-term investments such as takeovers and expansion.

Tactical Decisions

- Taken more frequently and which are less important.
- Will not determine the future of the business.
- Taken by middle management.
- Can include: ways of training new staff, methods of advertising to be used, which machines to purchase.

Operational Decisions

- Day-to-day decisions.
- Repetitive decisions and usually determined by previous experiences.
- Taken by a lower level of manager.
- Can include: staffing levels, stock levels, methods of delivery of goods.

Making decisions always involves risk.

Time, money and other resources will be used as a result of a decision.

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There is always an opportunity cost in any decision taken; sometimes the decisions are a reaping success and other times they can end up in disasters.

How can managers reduce risks when taking decisions?

- There will always be some risk when making a decision (an opportunity cost). The risks can be reduced but not eliminated.
- These steps are sometimes called the *decision-making process*.

The Decision-Making Process

1. Establish the objectives

- What are the aims of the business you are working in?

2. Identify and analyze the problem

- Identify the issue.
- Analyze the problem accurately using root-cause analysis. (5 whys)

3. Collect data on all the possible alternatives

- Consider the pros and cons of all the possible alternatives before making a final decision.

4. Make the final decision and implement it

- It is important for the managers to make the final decision and actually see it getting put into effect.

5. Evaluate the decision

- This reflection is extremely important- and hard to do- since it is essential for future decision-making.

The Decision-Making Process

