

Organisational structure

Why Have a Structure?

- All businesses have to organise what they do
- A clear structure makes it easier to see which part of the business does what
- There are many ways to structure a business

Some Key Terms

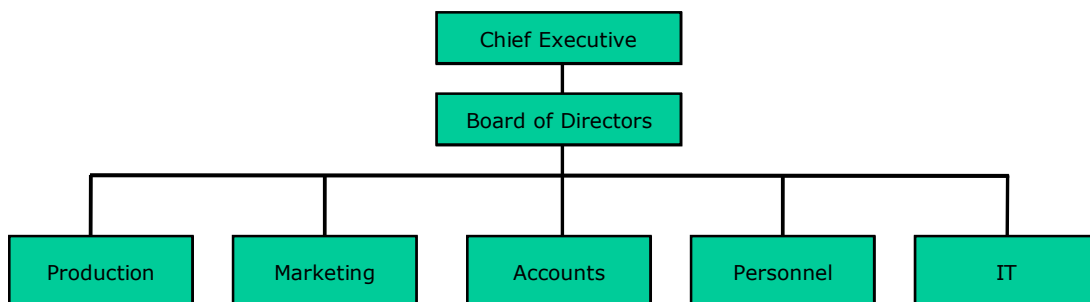
- Flat or tall structure
- Span of control
- Chain of command
- Hierarchy
- Delegation
- Empowerment

Ways to Structure a Business

- By function: arranging the business according to what each section or department does
- By product or activity: organising according to the different products made
- By area: geographical or regional structure
- By customer: where different customer groups have different needs
- By process: where products have to go through stages as they are made
- What are the advantages/disadvantages of different types of business structure?

Pros and Cons of Different Structures

- This depends on the business type, size and structure used
- Let's look at a functional structure:



Functional Structure

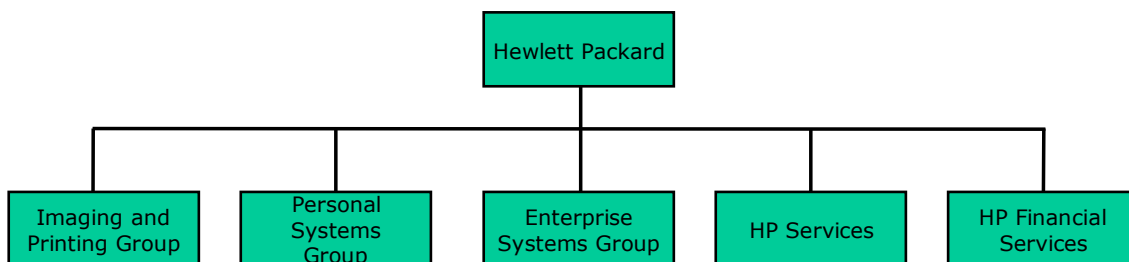
Advantages

- Specialisation – each department focuses on its own work
- Accountability – someone is responsible for the section
- Clarity – know your and others' roles

Disadvantages

- Closed communication could lead to lack of focus
- Departments can become resistant to change
- Coordination may take too long
- Gap between top and bottom

An Example of Organisation by Product/Activity



Organisation by Product/Activity

Advantages

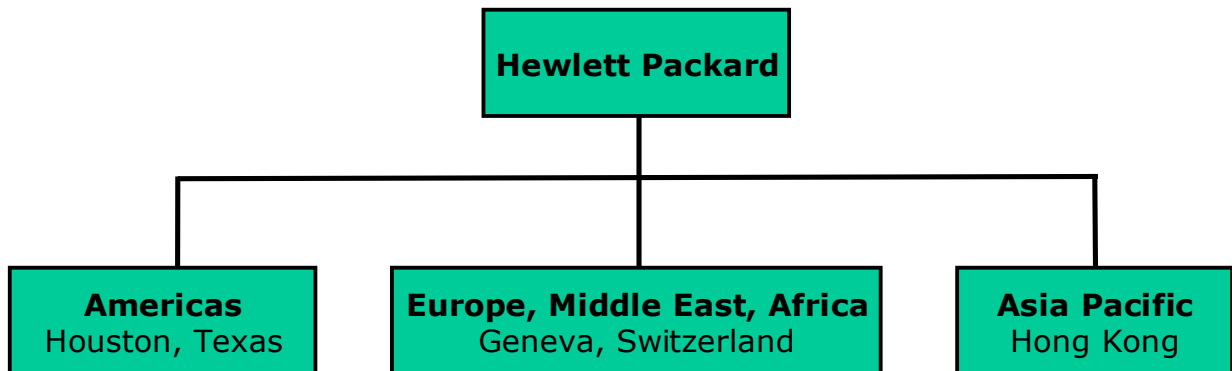
- Clear focus on market segment helps meet customers' needs
- Positive competition between divisions
- Better control as each division can act as separate profit centre

Disadvantages

- Duplication of functions (e.g. different sales force for each division)
- Negative effects of competition
- Lack of central control over each separate division

Organisation by Area

Hewlett-Packard's Headquarters Worldwide



Organisation by Area

Advantages

- Serve local needs better
- Positive competition
- More effective communication between firm and local customers

Disadvantages

- Conflict between local and central management
- Duplication of resources and functions

Other Organisational Structures

- By **Customer**: Similar effects to structuring by product
- By **Process**: Similar to structuring by function