

Topic 2.5.1a Organisational structures

BUSINESS: *Creating informed, discerning employees, consumers and future leaders*

Key Vocabulary

Centralised structure – an organisation where most decisions are made at head office not within the branch

Decentralised structure – an organisation that allows staff to make decisions at a local level

Flat structure – an organisation with few layers of hierarchy

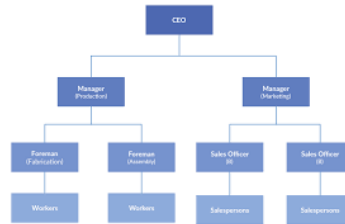
Hierarchical structure – an organisation with many layers of management, therefore creating a tall organisational pyramid

Organisation chart – a diagram that shows the internal structure of an organisation

Span of control – the number of people a manager is directly responsible for in an organisation

Subordinate – the term for people underneath another in an organisation chart

Core Knowledge



An example of an organisation chart. Each box represents an employee or set of employees. The vertical lines represent lines of communication.

	Benefits	Limitations
Tall hierarchical	Regular promotion opportunities Easier to maintain standards / check everyone's work	Very hard for lower levels to communicate with the top Decision making may be slow due to many layers
Flat	Fewer managers needed Workers have more responsibility	Each manager is responsible for more people Fewer promotion opportunities
Centralised	Decisions taken with an overview of whole company Consistent policies and decisions	Reduces delegation, so local managers can not respond to changes quickly Less job satisfaction
Decentralised	Involvement in decision making by more staff Can adapt to local conditions	Managers will need more training A mistake in one branch could impact reputation

Application

Sainsbury – an example of a centralised business where local branch managers have little power over decision making

NHS, police force – examples of tall hierarchical structures



Topic Links

Recruitment – an organisation structure shows the roles within a business

Finance – more managers increases costs for the business

Motivation – responsibility is a non-financial factor

Growth – as businesses expand so will their structures. This can include adding in or removing layers

Misconceptions

- When counting a span of control, only include those directly underneath, not all staff
- Delegating work and having more responsibility can make staff more motivated – they feel valued. Don't assume employees want to do as little work as possible
- Consider the level of skills of the workers – more skilled generally need less supervision so flatter structures can work well

