

Exercise walk-through

Organisational structure ■ 7.1

eXercise

You must be able to

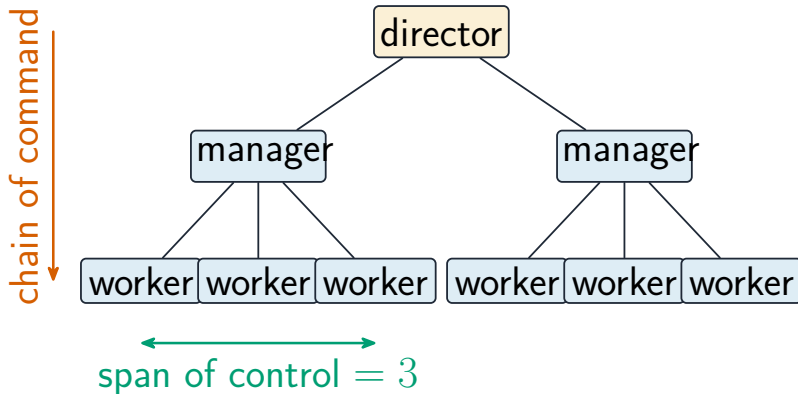
- define chain of command, span of control, hierarchy
- compare tall and flat structures, and centralisation with decentralisation
- analyse and evaluate a change to a firm's structure

Method — Reading an organisation chart

- **Tall structure:** many levels, narrow spans → slow messages, close control. **Flat:** few levels, wide spans → fast messages, more trust.
- **Centralisation:** decisions at the top (strong control). **Decentralisation:** decisions shared down (faster, motivating).
- **Delegation:** giving a task and the power to do it to a junior — but **accountability** stays with the manager.
- A **matrix structure** groups staff by both department and project, so a worker reports to two managers.

Answer shapes: AO1 + AO2 + AO3 (reasoning chain) + AO4 (a supported judgement *in context*).

Method — Reading an organisation chart

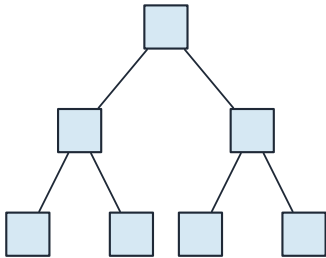


An organisation chart shows the chain of command and each manager's span of control

Method — Reading an organisation chart

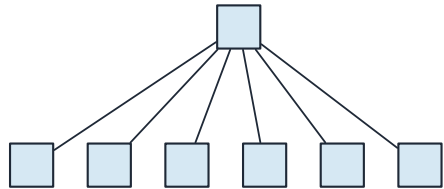
tall

many levels, narrow span

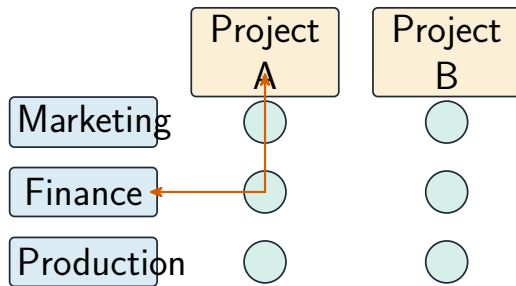


flat

few levels, wide span



Method — Reading an organisation chart



each worker reports to a function manager *and* a project manager

In a matrix structure a worker reports to a function manager and a project manager

Practice 2.1 ■ 2 marks

Define the term *span of control*.

Solution 2.1

Method: Reading an organisation chart

Worked steps

the number of staff a manager is directly responsible for (2 for a clear definition; 1 for a partial idea).

Practice 2.2 ■ 2 marks

State the difference between a *tall* and a *flat* organisational structure.

Solution 2.2

Method: Reading an organisation chart

Worked steps

a tall structure has many levels and narrow spans of control; a flat structure has few levels and wide spans (2 for a clear difference; 1 for a partial idea).

Practice 2.3 ■ 2 marks

Define the term *delegation*.

Solution 2.3

Worked steps

when a manager gives a task, and the authority to do it, to a more junior worker (2 for a clear definition; 1 for a partial idea).

Exam-style 3.1 ■ 3 marks

Explain one benefit to a business of having a **flat** organisational structure.

Solution 3.1

Method: Reading an organisation chart

Worked steps

[3] **AO1** 1 — name a benefit (faster communication; lower management cost; more staff empowerment). **AO2** up to 2 — develop it, e.g. fewer levels mean a message reaches the bottom quickly and unchanged → faster decisions and fewer errors (2 developed / 1 limited).

Exam-style 3.2 ■ 8 marks

Analyse two effects on a business of **delayering** its structure.

Solution 3.2

Method: Reading an organisation chart

Worked steps

[8] For **each** of two effects: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *lower costs*: fewer managers → lower salary bill → higher profit. *Wider spans*: remaining managers control more staff → they may be overstretched → control and quality could fall. Maximum 4 per effect, 8 total. (Reward both a positive and a negative effect.)

Exam-style 3.3 ■ 12 marks

A growing business is deciding whether to **centralise** or **decentralise** its decision-making. Evaluate this decision.

Solution 3.3

Worked steps

[12] **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **Centralisation:** consistent, fast, tight control — but ignores local knowledge and can demotivate. **Decentralisation:** faster local decisions and motivated staff — but weaker control and possible inconsistency. Judgement: a firm in many locations or fast-changing markets gains from decentralising, while one needing tight control or consistency may centralise — the best mix depends on the firm's size, spread and the skill of its local managers.