

## **Chapter 16 : Organisational Design**

**1. Organisational Structural** : The structure is the way in which position within the business are arranged.

The organisational structures of the business defines :

- The workforce roles of employees and their Job titles.
- The route through which decisions are made.
- Who is responsible and who is accountable to whom, and for what activities • The relationship between position in a business
- How employees communicate with each other
- how information is passed on.

### **1.1. Hierarchy**

: Hierarchy is the level of management in business from the lowest to the highest rank.

### **1.2 Chain of command**

- The chain of command is the way authority is organized. Order passes down, info passes up.
- Businesses try to reduce chain of command as short as possible to increase effectiveness of communication.

### **1.3 Span of control or subordinates**

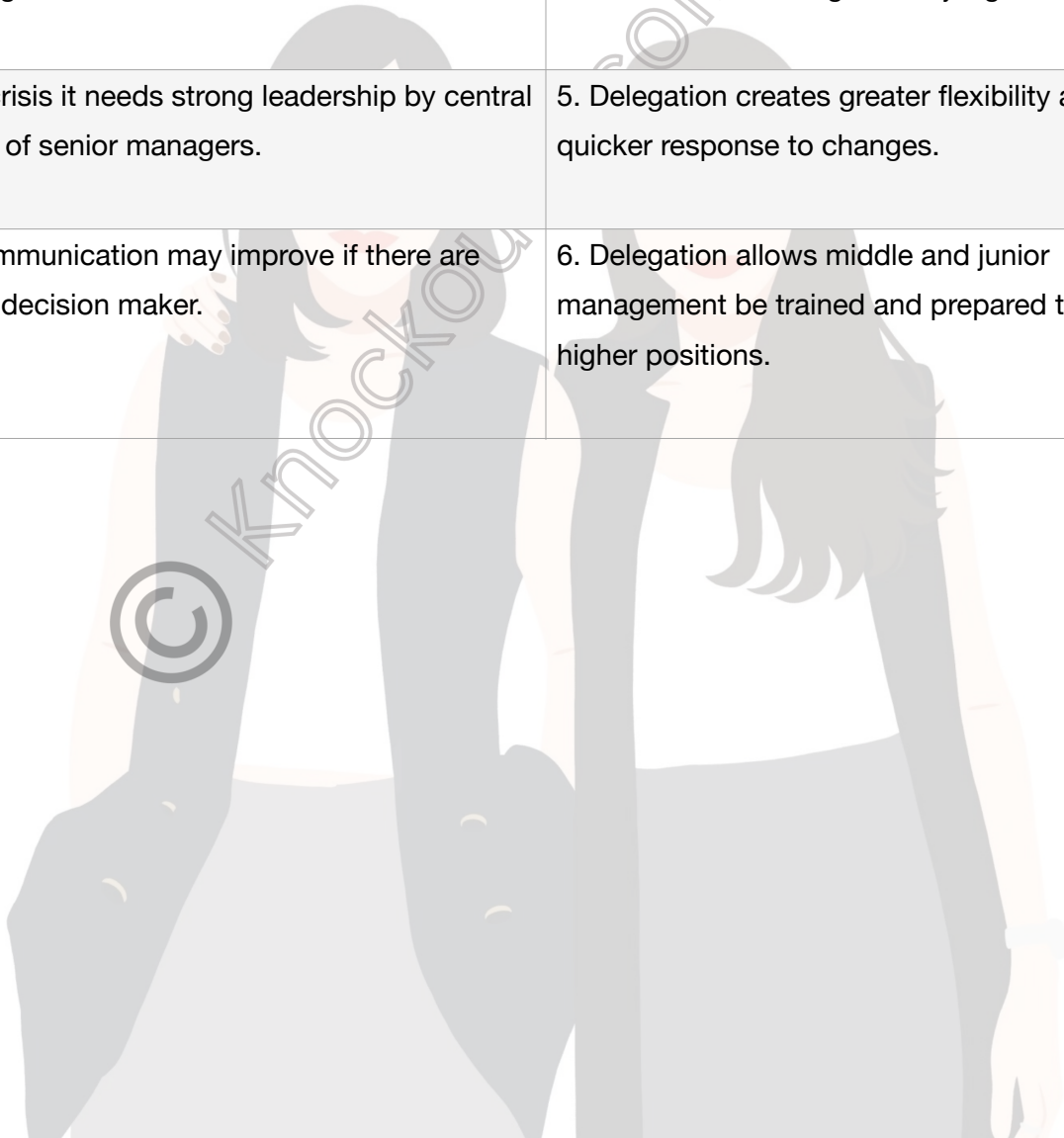
- The number of people or subordinates, a person directly controls in a business.

### **1.4 Centralised and decentralized**

Centralisation : Subordinate would have no authority at all.

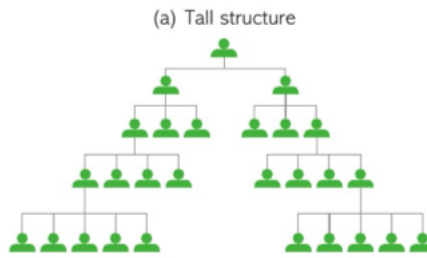
Decentralisation : Subordinate would have all authority to take decisions.

Advanatges	Disadvantages
1. Senior management has more control over business.	1. It empowers and motivates workers.
2. Procedures such as ordering are standardised leading to economies of scales and lower cost.	2. It reduce stress and burden to senior manager.
3. Senior manager can make their own decisions and subordinates follow the views of department.	3. Subordinates have grater job satisfaction by making their own decision.
4. Senior managers have more experience in making decision.	4. Subordinates have better knowledge in their area of work, resulting in well-judged choices.
5. In crisis it needs strong leadership by central group of senior managers.	5. Delegation creates greater flexibility and quicker response to changes.
6. Communication may improve if there are fewer decision maker.	6. Delegation allows middle and junior management be trained and prepared to take higher positions.

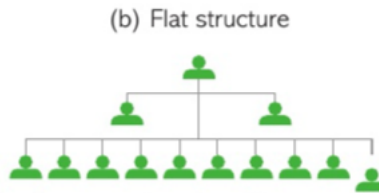


## **2. Types of organisational structure**

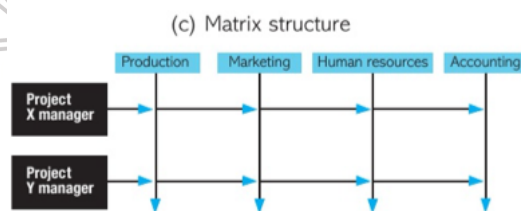
**2.1 Tall structures** : There is a long chain of command but narrow span of control.



**2.2 Flat structures** : There are fewer layers in the hierarchy.



**2.3 Matrix Structures** : Getting people together from different areas in the business to form a project team. Individuals within the team have their own responsibility. Teams are not fixed and can be made to suit the business need. It is used to solve particular problems in business that require a range of areas of expertise.



### **3. Implications of different organisation structures**

<b>Organisational structure</b>	<b>Advantages</b>	<b>Disadvantages</b>
1. Tall structure	<ol style="list-style-type: none"> <li>1. Managers have more control over their subordinates. Employees are more closely supervised.</li> <li>2. A clear route for promotion motivates staff.</li> </ol>	<ol style="list-style-type: none"> <li>1. Management cost is higher as there are more managers.</li> <li>2. Poor communication from long chain.</li> <li>3. Slow down decision making</li> </ol>
2. Flat structure	<ol style="list-style-type: none"> <li>1. Communication is better &amp; quicker from short chain of command.</li> <li>2. Management cost is low from fewer layers of management.</li> <li>3. Employees are motivated by less closely controlled.</li> <li>4. Employees are empowered to responsible their works.</li> </ol>	<ol style="list-style-type: none"> <li>1. Managers may lose control over their subordinates from wide span of control.</li> <li>2. It may cause a fall in productivity of subordinates.</li> <li>3. It may have co-ordination problems if manager are responsible for many subordinates.</li> </ol>

<p>3. Matrix structure</p>	<ol style="list-style-type: none"><li>1. The best way of organising people as it is based on the expertise and skill of workers.</li><li>2. It improves flexibility and motivation of employees.</li></ol>	<ol style="list-style-type: none"><li>1. The method often needs expensive support systems such as extra administrative and office staff.</li><li>2. It may have problems with co-ordinating a team from different departments and with the speed of decision making .</li></ol>
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