**Organisational Structures**

Introduction & Case Study

Support Materials

The purpose of these support materials is to provide a range of information and basis for discussion/activity. Please select, add to/edit the material as required.

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Worksheet

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**Part 1: Overview & Introduction**

**Play the section, then answer the following questions.**

1. The four typical departments of an organisation are:

(a)

(b)

(c)

(d)

2. What shape is the classic, conventional business hierarchy?

3. How do you recognise a very hierarchical organisation?

4. Name two possible benefits in ‘delayering’ an organisation?

5. The flatter the hierarchy, the wider a manager’s………………….

6. What may be the disadvantages of a flatter hierarchy?

7. The ………………………………..shows who’s connected to whom in terms of giving and taking instructions.

8. How might an organisation be de-centralised?

9. What are the possible advantages of a *centralised* structure?

10. Name a possible disadvantage of a *centralised* structure

11. What are the possible advantages of a *decentralised* structure?

12. Name any possible disadvantages of a *decentralised* structure

13. What dangers do large organisations face in terms of structure?

14. How have some organisations tried to tackle this?

15. What benefits do General Mills UK ascribe to cross-functional teams?

16. What benefits are claimed for the brand development team at General Mills UK?

17. How does General Mills UK say they avoid confusing staff with too many things to think about?

18. Name some of the problems the interviewees give about working in hierarchical organisations.

**Part 2: Organisational Structures In Action**

Blakeway Ltd makes printed circuit boards to fit into electrical equipment such as DVD and Blu-ray players – it was set up by entrepreneur Stephen Maynard and is a rare UK manufacturing success story – where most of the electronic manufacturing has gone to the Far East because of cheaper labour costs. Maynard has made a success of Blakeway by catering to a niche market of top end customers who prefer their products to be made nearer to home.

Blakeway’s HR Manager Karen Rider calls in an HR consultant to review the company structure – is it the best one for their needs? This is the story of what happened.

**Play the clip, then answer the following questions.**

1. Blakeway Ltd’s HR Manager Karen Rider was thinking about how the company was structured. What did she think about?

2. What kind of structure does Blakeway currently have?

3. Under the managing director Stephen Maynard, there are three other directors. What departments are they in charge of?

4. Which is the biggest department?

5. What other key department does Blakeway have?

6. What is the key benefit, from Karen’s point of view, of the hierarchical structure?

7. What is the biggest problem at Blakeway, according to the first shop floor worker interviewed by the consultant?

8. What does the department manager Jez Martin think is good about having a hierarchy?

9. What was the worker told after he made a suggestion about how they stored the templates?

10. Vicky the consultant thinks Blakeway should adopt a wholly new structure.

TRUE [ ] FALSE [ ]

11. In what kind of companies does Vicky believe hierarchical structures can work well?

12. What solution does Vicky offer to the communication problems at Blakeway?

13. Has the consultant’s report been acted on

YES [ ] NO [ ]

**Part 3: Changing Structures: An Expert View**

**Play the clip, then answer the following questions.**

1. What successful structural change was Vicky involved in?

2. Why was this so successful?

3. What example does Vicky give of a not-so-successful restructuring?

4. What does Vicky say is important for a business when contemplating a major structural change?

5. What’s the secret to a successful implementation?

6. What is the key thing to get right when changing structures?

7. When is a clear structure important?

8. When is structure less important?

9. A flatter structure gives people the chance to be more creative, but when can problems arise?

10. What does Vicky think is the ideal structure to motivate employees?

11. When is re-structuring sometimes used as an excuse?

**General Questions & Discussion Topics**

1. Define the following terms using examples from the film.

A. Department

B. Traditional hierarchical structure

1. Blakeway Ltd is organised by *function*. Explain what this means.
2. *“Instructions are passed down and we just do it.”* Analyse the importance of “upwards” communication (feedback to managers) in an organisation.
3. Discuss the need for Blakeway to change their organisational structure.
4. You are a general administrative worker. Which organisation, General Mills UK or Blakeway, would you most like to work for and why?

1. Discuss how General Mills UK and Blakeway compare in terms of their likely flexibility in the face of change – for example, the need to respond to a new competitive threat. Which organisation is likely to respond better? Why?
2. Compare and contrast the support the HR managers received from the CEO in General Mills UK and Blakeway. What effect does this support, or lack of it, have on the end result?
3. Blakeway is currently organised by function. Devise a different way of organising the business.
4. Draw an organisation chart to outline your idea and write a letter to the managing director explaining why your idea for a new organisation structure might improve the business.

Background Notes

*These notes are not intended to be comprehensive on the subject of organisational structures but to provide extra points relating to the issues raised in the film.*

**No Two Structures Are The Same**

The film concentrates on medium to large size organisations, the case studies are mostly from the private sector. But all kinds of organisation, private, public, charitable will have structures that fit roughly one of the templates illustrated:

Hierarchical (Centralised/ De-Centralised)

Flat (Centralised/ De-Centralised)

**Large v Small**

In addition, smaller organisations will have their own variations. A small business may be hierarchical, in that power rests with one or two owners – and yet still be ‘flat’ in the sense that they are too small to have layers. In partnerships, for example of professionals such as lawyers, accountants or doctors, the power may be shared equally among the partners.

Large organisations depend on a wide range of people who bring specialist skills to solve a part of a problem or project – small organisations often rely on the members having a wider range of skills.

Specifically **large businesses** must provide for:

\* Extensive and complex modes of communication. The larger the business the more it is likely to rely upon communication and to need technological methods.

\* In providing for its workforce the structure must cater for a wide variety of interest groups. *Informal groups* are much more likely to develop within large organisations than they are within smaller ones. Managements must always be aware of the existence of such groups and the effect they might be having.

The larger a business is, the less able it is to be paternalistic and informal, and so it tends to rely on procedures and formal groups. To its employees a large organisation is almost always authoritarian in some respects.

A large organisation should be able to offer greater opportunity to its employees. Issues like continuous training and opportunities for promotion become a crucial feature of motivation and job satisfaction.

A large organisation can build a structure which relies on specialist support services because it will use them sufficiently and efficiently and can afford them.

**Managing Change**

Existing structures may become unfit for purpose if the organisation changes, possible due to external factors such as market or technological changes. So *flexibility* is a key issue when designing a structure.

A lot of this flexibility is down to the willingness of the workforce to change, which in turn is down to the *culture* of the organisation – this, in its turn, is often created by the *structure* – so all these factors feed off each other.

**Chain Of Command**

Efficient working means everyone knows who their boss is – but in some cases an employee may have more than one boss.

**Example**

A junior member of a school staff may be responsible to:

* The head teacher, as controller of the school. There may well be some matters in which this responsibility is direct.
* The head of each department in which the teacher works. This may be one or many depending on what the teacher is asked to teach.
* A year head. Most teachers have pastoral responsibility for a particular class.

This may also occur in an organisation (such as General Mills UK in the film) where cross-functional teams work as a kind of extra pattern across the traditional functional department ‘silos’ (marketing, finance, production, HR etc). Another word for this kind of structure is **matrix.**

In this case, employees will be responsible to their traditional departmental heads but also to the teams they are members of – they might also have a ‘direct line’ to the CEO: this is clearly more complex, makes people feel more involved but is also more difficult to manage.

**HR Department**

Even in a traditional structure, the HR Department will be involved in all the other departments, helping with (or in some cases managing) recruitment, training and disciplinary issues.

As seen in the film, a pro-active HR department also gets involved in ‘big thinking’ regarding structures, change and new initiatives.

**Centralisation v Decentralisation**

An organisation with one work site is easy to centralise. The management team is unified. Bigger businesses vary in the extent of centralisation. Once a business moves to a second site some decentralised decision making is necessary in the interest of efficiency and job satisfaction. Centralisation is used because it may:

* Be possible to control an organisation in a more direct and unified way
* Produce common approaches to organisation-wide situations
* Reduce competition between sections
* Minimise duplication of effort
* Make it easier to appraise the work of personnel
* Make it easier to ensure progress towards the objectives of the firm
* Make it easier for working methods to be standardised
* Make it speedier and easier to make decisions across activities
* Be more cost effective.

However, as good as sensible centralisation can be, it is often damaging and the more diverse and scattered the organisation the more significant this becomes. This is particularly true when ethnic or cultural issues may be significant. The disadvantages are:

* Learning through doing is reduced. Promotion may be difficult
* Local markets may need flexibility of decision making
* Change is less likely unless perceived from the centre
* Individual creativity and initiative are stifled
* Decision making will be slow. Central information overload
* Subordinates may ignore the official policy and practices
* Senior managers become involved in routine decisions. They neglect long term planning and strategic needs.

**Structure and the Market**

The nature of a firm's market will influence its structure and organisation.

**Examples**

A hotel chain will be broken down into relatively small units (the hotesl), as will a supermarket chain (the branches). A firm which provides electricity is going to operate as a very large unit and may have only one establishment. Firms which operate in different markets may be structured by *division*.

The more complex a market, the more likely it is that the departmental structure will be complex. A firm which produces a wide range of products is likely to have a multifaceted production department with several divisions rather than just a simple line. Its marketing department may be equally complex.

**Product Based Organisation**

The diagram shows a typical product-based structure for a manufacturing firm. Activities are grouped by product or service. The main advantage is that it puts teams together with a specialist focus on each of the product groups. Each product area becomes a profit centre. Different products frequently require different strategies and a unique blending of the elements of the marketing mix.



Problems with this approach can be:

* Uncertainty as to the responsibility for decisions.
* Different objectives may be pursued or the same objectives may be pursued in different ways, and this could lead to conflict.
* Allocation of common facilities and of fixed costs may be difficult to agree.
* Some functions may be less efficiently performed.
* Different divisions growing at their own rate may unbalance the firm. In extreme cases, a division of the business could threaten the survival of the whole.

One way of overcoming some of these problems is a combination of functional and product-based organisation. A wide range of variations on this theme is possible. Some functions (a common one is finance) could be centralised at headquarters, some could be centralised on one site. For example, there may be sound reasons for locating all the HRM functions on one site. This would leave production, research and development to be product based.

Marketing is a function which might well be divided, with some aspects centralised and others taking the shape of marketing units for each product division.

**Customer-Centred Structure**

The traditional approach of organisation theory is to work downwards from the top seeing management as controlling and directing what happens on the shop floor.

But marketing theory tells us that business should be *customer-orientated*, taking its lead from the things that customers want. This means the market is the starting point and not the finish. The interface with the customer leads the way.

In this type of organisation the management responds to the messages from the environment and becomes a support mechanism for the response. It gives a much greater role to the front line staff since they are dealing with the customers. Managers still make the decisions but they do so by analysing the messages which come through from the market and determining the most feasible line of action from them. The greater involvement of the workforce in this approach is also seen as having considerable motivational value.

**Roles in Organisations**

A formal *job description* outlines the role for an employee when he/she is hired, but circumstances will arise which are not covered by the job description, by the experience, by the training or by the rules meant to govern the situation. So a worker’s role may develop informally.

Over the course of time the role may change substantially. Even if roles do not change they will be interpreted entirely differently by individuals in accordance with their interests and their strengths and weaknesses.

This can sometimes lead to *role overload* (or *under-load*) and to *role conflict*.

***Role overload.*** Occurs when an individual is being asked to do too much. This is sometimes because the design of the structure or the behaviour of superiors overloads the role or it is because the role holder takes on too much. This can lead to stress, absenteeism, illness or underperformance because there is no time to do any tasks properly.

***Role under-load.*** Within any organisation you will also find individuals with too little to do. Again this may be a feature of the organisation, the superiors or the person in the role. Occasionally it can also be as a result of reluctance by subordinates to approach their boss. They either keep such contact to a minimum or they find ways of bypassing them.

***Role conflict.***  Occurs when individual job holders have so developed their roles that it is not clear whose responsibility a given task is. This often leads to conflict between the persons involved which must be resolved. It can also mean that a job is left undone:

*"Everybody knows that a job has to be done but everybody assumes that somebody else will do it with the result that nobody does it."*

Worksheet

***ANSWERS***

**Part 1: Overview & Introduction**

**Play the section, then answer the following questions.**

1. The four typical departments of an organisation are:

(a) Marketing

(b) Finance

(c) Human Resources (aka Personnel)

(d) Production

2. What shape is the classic, conventional business hierarchy?

A pyramid

3. How do you recognise a very hierarchical organisation?

It has many layers (‘tall’ pyramid).

4. Name two possible benefits in ‘delayering’ an organisation?

Save costs (fewer people to employ, fewer offices).

Increased flexibility: less bureaucratic, more responsive to change.

5. The flatter the hierarchy, the wider a manager’s…

Span of control

6. What may be the disadvantages of a flatter hierarchy?

Harder to control

Fewer managers means individual employees have to work more on their own initiative

7. The chain of command shows who’s connected to whom in terms of giving and taking instructions.

8. How might an organisation be de-centralised?

In terms of geography (eg area divisions)

In terms of product

9. What are the possible advantages of a *centralised* structure?

Quicker decision-making

Less duplication of resources

Standard way of working across the organisation

10. Name a possible disadvantage of a *centralised* structure

The business may lack valuable input from other parts of the business (out of touch with needs on the ground).

11. What are the possible advantages of a *decentralised* structure?

Better knowledge of the local market

More responsibility for managers therefore more motivation

More flexibility meeting local needs

12. Name any possible disadvantages of a *decentralised* structure

Duplication of resources

Lacking in sense of unity?

13. What dangers do large organisations face in terms of structure?

They may become too inflexible, ‘locked into their silos’, creating an ‘us and them’ attitude between departments.

14. How have some organisations tried to tackle this?

Cross-functional teams

15. What benefits do General Mills UK ascribe to cross-functional teams?

Everyone knows what’s happening, feels a part of the business.

It gives people in one department an insight into the work of other departments – and they can contribute valuable insights themselves.

Means getting rapid response to questions.

16. What benefits are claimed for the brand development team at General Mills UK?

Provides empowerment to team members who make decisions which are then passed upwards to the executive.

17. How does General Mills UK say they avoid confusing staff with too many things to think about?

They draw up a document that sets out objectives and lays down the over-arching priorities.

18. Name some of the problems the interviewees give about working in hierarchical organisations.

People don’t know who their bosses are, they lose sight of why they are working.

Even trivial decisions take ages to be made, as they have to go up to the top of the hierarchy.

**Part 2: Organisational Structures In Action**

Blakeway Ltd makes printed circuit boards to fit into electrical equipment such as DVD and Blu-ray players – it was set up by entrepreneur Stephen Maynard and is a rare UK manufacturing success story – where most of the electronic manufacturing has gone to the Far East because of cheaper labour costs. Maynard has made a success of Blakeway by catering to a niche market of top end customers who prefer their products to be made nearer to home.

Blakeway’s HR Manager Karen Rider calls in an HR consultant to review the company structure – is it the best one for their needs? This is the story of what happened.

**Play the clip, then answer the following questions.**

1. Blakeway Ltd’s HR Manager Karen Rider was thinking about how the company was structured. What did she think about?

The departments, how well they work together, reporting structures – do they help or hinder, decision-making.

2. What kind of structure does Blakeway currently have?

Hierarchical

3. Under the managing director Stephen Maynard, there are three other directors. What departments are they in charge of?

Marketing

Finance

Production

4. Which is the biggest department?

Production

5. What other key department does Blakeway have?

Human Resources

6. What is the key benefit, from Karen’s point of view, of the hierarchical structure?

It’s simple – everyone know who their boss is

7. What is the biggest problem at Blakeway, according to the first shop floor worker interviewed by the consultant?

Communications – the workers don’t seem to be able to get their views heard

8. What does the department manager Jez Martin think is good about having a hierarchy?

It gives you ‘somewhere to go’, a chance to move up through the levels

9. What was the worker told after he made a suggestion about how they stored the templates?

Shut up and get on with it

10. Vicky the consultant thinks Blakeway should adopt a wholly new structure.

TRUE [ ] FALSE [√ ]

11. In what kind of companies does Vicky believe hierarchical structures can work well?

When the aim is produce the same kind of thing again and again, everyone knows where to take orders from.

12. What solution does Vicky offer to the communication problems at Blakeway?

 A feedback channel, so people can get their ideas heard, also possibly an ‘investment panel’ where workers’ ideas for expenditure can be heard at the top. Also, more inter-departmental meetings.

13. Has the consultant’s report been acted on

YES [ ] NO [ √ ]

**Part 3: Changing Structures: An Expert View**

**Play the clip, then answer the following questions.**

1. What successful structural change was Vicky involved in?

A business that had seven different zones across the country, each with its own individual structure to do the same job – the change was to turn this into one structure.

2. Why was this so successful?

Each zone could share problems and solutions to problems.

3. What example does Vicky give of a not-so-successful restructuring?

A thorough structural change was worked out but there was not enough stress on *implementing* the change. It meant that everyone ‘just reverted back to how they used to work’.

4. What does Vicky say is important for a business when contemplating a major structural change?

All the extra work and time involved for people to get used to the new way of working.

5. What’s the secret to a successful implementation?

Don’t rush in with pre-conceived ideas, wait some months to check what’s working, what isn’t working.

6. What is the key thing to get right when changing structures?

*Communication* before, during and after – employees need to understand why the change is happening.

7. When is a clear structure important?

Where a company does the same thing day in, day out – and especially where health and safety is important.

8. When is structure less important?

When the business is more creative, fluid, innovative: the work changes from day to day.

9. A flatter structure gives people the chance to be more creative, but when can problems arise?

If there is somebody new in the team or somebody who isn’t performing needs more management supervision.

10. What does Vicky think is the ideal structure to motivate employees?

When there are rules, but not too many, only enough, and people feel empowered to do their jobs.

11. When is re-structuring sometimes used as an excuse?

A manager may not want certain people in the team and uses a restructuring as an excuse to make them redundant.

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**ENDS**