

Business organizational structures

- 1 Hi! Today I'm going to teach you about some of the organizational structures taught in our business textbook, unit 2.2.
- 2 This diagram shows the level of responsibility and authority versus the level of command in the business.
- 3 As we can see, those at the top of the business have the most authority and responsibility and, for example, the finance director being in charge of other financial aspects of the business.
- 4 There is a small command for these at the top of the business, as a large number of people having responsibility and authority will lead to chaos within the business.
- 5 On the other hand, those at the bottom of the pyramid have little responsibility and authority, but there is a great command for them.
- 6 This category will include all the other employees, which are—such as the technicians, cleaners, office staff, etc.
- 7 In diagram number 2 we see that the managing director has a narrow span of control.
- 8 This business can be considered to be a tall structure, and thus there'll be quicker communication between smaller teams.
- 9 These smaller teams are easier to manage and control.
- 10 There are many layers in the organization, which lead us to different levels of hierarchy seen in this diagram.
- 11 They are using a hierarchy structure.
- 12 Departments, such as the Production Department and the Marketing Department, have been established.
- 13 This organization can improve coordination and productivity of the workforce, and create a sense of belonging in the workplace that is acting a board of motivation.
- 14 On this slide there's a diagram of a tall hierarchy and a flat hierarchy.
- 15 As you can see, the tall hierarchy takes the form of a taller and narrower triangle, whereas the flat hierarchy takes the form of a shorter and wider triangle.
- 16 This shows that the tall hierarchies have more levels of hierarchy with a narrow span of control, and the flat hierarchies have little levels of hierarchy with a wide span of control.
- 17 Tall-hierarchy structures have a long chain of command, meaning communication is passed through many stages, while flat-hierarchy structures oppose that with a short chain of command.
- 18 With a company where—to change from a tall hierarchy to a flat hierarchy, delayering, also known as downsizing, would have to take place.
- 19 Delayering is the process of removing one or more layers in the hierarchy in order to flatten out the organizational structure or downsizing it to reduce the size of the core workforce.
- 20 This will widen the span of control and reduce the numbers of layers of management.
- 21 These two diagrams are similar to the diagrams we saw previously, as they show a contrast between the tall-hierarchy business with a narrow span of control and a flat-hierarchy business with a wide span of control.
- 22 The diagram above, the one with the widest span of control, has the advantage of keeping cost under control, as there are less managerial positions in the firm.
- 23 The diagram below, the one with the narrowest span of control, has the advantage of easier communication with the subordinates, as smaller groups tend to have less tension and conflict.
- 24 This is a diagram of the centralized or entrepreneurial structure.
- 25 In a centralized structure the vast majority of decision making is performed by a very small number of people, and they are usually the senior management team.
- 26 The decisions made by the senior management team span across a wide spectrum of things, including outsourcing and offshoring.
- 27 Outsourcing is the act of moving noncore activities away from internal operations by finding an external party to carry out such functions.
- 28 Offshoring is an extension of outsourcing, and it involves relocating business functions and processes overseas.
- 29 For example, production offshoring in a centralized or entrepreneurial structure would involve decisions upon manufacturing overseas being made without delegation with the actual Productions team.
- 30 The diagram shows that the management director (MD) in the center makes all the decisions, and there is no delegation and no communication between the other members of the organization, such as Research and Development, Finance, etc.

- 31 A centralized structure has also a better control and a better sense of direction where rapid decision making can take place, because only a few people have a say in the decisions.
- 32 However, because there are only a few people that make decisions, there may be delays in decision making because of that small number, and thus that puts pressure and stress on senior management.
- 33 Other disadvantages include inflexibility, and there may be a lack of motivation for other employees because they may feel less valued.
- 34 It is likely that in a centralized or entrepreneurial structure there is bureaucracy, where there are prescribed rules, responsibilities and standardized procedures set up by the senior management team.
- 35 This diagram shows collaborative needed in a business for it to succeed.
- 36 All the departments—Sales, Marketing, Accounts, and Production—need to work together, as we can see that their corresponding circles always overlap in the diagram.
- 37 In fact, now actually the different departments will have to come together to successfully produce their good, as it is inevitable for Sales and Marketing to not work together, or for Sales and Production to not work together, etc.
- 38 This organizational structure gives the workers empowerment, as they get to make their own decisions for their correspondent department and execute their own ideas for the good of the business.
- 39 Contrasting the previous diagram, the collaborative structure is decentralized, meaning decisions are not made by a small group of people;
- 40 rather there is delegation, meaning the decision-making authority and responsibility is passed onto others in the organization.
- 41 The advantages are:
- 42 that input from the workforce is given,
- 43 there is speedier day-to-day decision making because of the larger number of people,
- 44 higher morale,
- 45 encouraged teamwork,
- 46 an improved accountability, as the staff will be held accountable for their input.

- 47 Thus it may lead to an improved quality of work.
- 48 However, because of the mass number of people making decisions, there may be a loss of control, a greater chance of mistakes, and there will be greater reliance on the fact of communication.
- 49 The collaborative structure can also be seen in my example of Music Event.
- 50 In order for Music Event to be successful the Band, Ticketing Department, Catering Services, Advertising Department, and those in charge of Stage and Venue must all work together.
- 51 More specifically, for example, the Advertisement Department can—must be familiar with information regarding the band, ticket prices, food and drinks, and the venue to make a good advertisement.
- 52 This is thus a collaborative structure.
- 53 This is a diagram of a matrix structure.
- 54 A matrix structure is a flexible organization for employees from different departments within an organization temporarily working together on a particular project.
- 55 Functional departments still exist, except the team of workers, known as the project team, has opportunity to work on projects with colleagues from other departments, thus the lines connecting each of the departments along with the main project in the middle.
- 56 A matrix structure provides an opportunity for teamwork, where experts from different parts of the business are brought together and get to do a variety of projects, thus adding interest and increasing staff motivation.
- 57 This provides for good career and personal development opportunities for workers and reduces pressure on senior management.
- 58 However, there may be a conflict of interest between those who are working together, and because these teams are formed only on a temporary basis and team members are not required to get along with each other, tension and conflict may arise, resulting in a bad end product.
- 59 Project managers will definitely have a difficult task in controlling these members.
- 60 Although there is the chance for conflict, there is also the opportunity for an informal organization to develop.

- 61 An informal organization consists of people who have become friends or share similar interests.
- 62 There are three types:
- 63 advice networks, where guidance to help solve problems is shared amongst each other;
- 64 trust networks, where people rely on each other's loyalty, dependability and trustworthiness,
- 65 and, finally, communication networks, where people talk on a normal basis as friends.
- 66 Informal organizations bring motivation, communication amongst the different faculties or departments, and help with the decision making.
- 67 That was my broadcast on 2.2's Organizational Structures.
- 68 I hope it was helpful or you learnt something.
- 69 Thank you!