

As a business grows in size and takes on more staff, managers need to make sure employees understand their role within the company. **Organisation** is the way a business is structured.

One method of organisation is to set up departments covering the four main areas of business activity:

* finance
* human resources
* marketing
* operations

**Organisation charts** are diagrams that show the **internal structure** of the business. They make it easy to identify the specific **roles and responsibilities** of staff. They also show how different roles relate to one another and the structure of departments within the whole company.

For example, the Marketing Manager in the Midlands can see at a glance that she is in charge of ten subordinates, and that her line manager is the Director of Marketing.

* **Hierarchy** refers to the management levels within an organisation.
* **Line managers** are responsible for overseeing the work of other staff.
* **Subordinates** report to other staff higher up the hierarchy. Subordinates are accountable to their line manager for their actions.
* **Authority** refers to the power managers have to direct subordinates and make decisions.
* **Delegation** is when managers entrust tasks or decisions to subordinates.
* **Empowerment** sees managers passing authority to make decisions down to subordinates. Empowerment can be motivational.
* The **span of control** measures the number of subordinates reporting directly to a manager.
* The **chain of command** is the path of authority along which instructions are passed, from the CEO downwards.
* **Lines of communication** are the routes messages travel along.



**Tall organisations** have many levels of hierarchy. The span of control is narrow and there are opportunities for promotion. Lines of communication are long, making the firm unresponsive to change.

**Flat organisations** have few levels of hierarchy. Lines of communication are short, making the firm responsive to change. A wide span of control means that tasks must be delegated and managers can feel overstretched.

In **centralised organisations**, the majority of decisions are taken by senior managers and then passed down the organisational hierarchy.

**Decentralised organisations** delegate authority down the chain of command, thus reducing the speed of decision making.

One method of reducing costs is to remove a layer of management in a hierarchy while expecting staff to produce the same level of output. This is called **delayering**.



**Centralised and Decentralised Businesses**

What are the advantages and disadvantages of Decentralised businesses?

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| Senior management free to concentrate on strategy | Promotion opportunities  |
| Inconsistency with decisions across the company | Branch managers empowered  |
| Same roles are duplicated  | More information needed  |
| Local expertise of market | Quick responses – smaller chain of command |

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| **Key Term:** | **Definition:** |
| Delayering | Removing layers of management and workers in a hierarchy so that there are fewer workers in the chain of command. |
| Empowerment | Giving more responsibility to workers further down the chain of command in the hierarchy. |
| Downsizing | When a business employs fewer workers to produce the same amount through increases in productivity which can be achieved through delayering. |
| Delegation | Passing down of authority for work to another worker further down the hierarchy of the organisation. |
| Centralisation | A type of business organisation where decisions are made at the centre or core of the organisation and then passed down the chain of command. |
| Decentralisation | A type of business organisation where decision making is pushed down the hierarchy and away from the centre of the organisation. |

Using the example of The Compton School, what does it mean by the terms:

* 1. Delayering
	2. Empowerment
	3. Downsizing
	4. Delegation
	5. Centralisation
	6. Decentralisation

Give 4 disadvantages of a long chain of command:

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What is the benefit of empowering employees?

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Create 2 mind maps, one showing the advantages and disadvantages of a centralised business, and the other for a decentralised business.

