UCS 1704- Management and Ethical Practices

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Assignment: Case Study 2 on **Toy Company**

Situation: A company, which manufactures a popular brand of toys, has been enjoying good market reputation. It has a functional organizational structure with separate departments for Production, Marketing, Finance, Human Resources and Research and Development. Lately to use its brand name and also to cash on to new business opportunities it is thinking to diversify into manufacture of new range of electronic toys for which a new market is emerging.

Question: Which organization structure should be adopted in this situation? Give concrete reasons with regard to benefits the company will derive from the steps it should take.

<u>Proposed Ideas:</u>

The organisation is currently following a **functional structure** of organization, which seems to be an inappropriate model when the company is willing to diversify to manufacture new toys. Doing business in emerging markets requires a high amount of precision and planning to maximize revenue.

The main issue with functional structure is that each functional unit is **insulated** from the other units, and have little understanding of the whole process. This **cannot be an appropriate** organizational structure when a company is willing to broaden its horizons.

Thus, the company should shift towards a **divisional structure**, with each division managing a specific line of products all the way from raw material procurement to customer outreach. This keeps a **fully functional line** where top management in each division are aware of their entire process and can make changes with speed and efficiency if required.

As such, the top executive board can clearly **demarcate and assess** different product lines individually and their profitability to the company. This helps in weeding out products that may be unfit for the market.

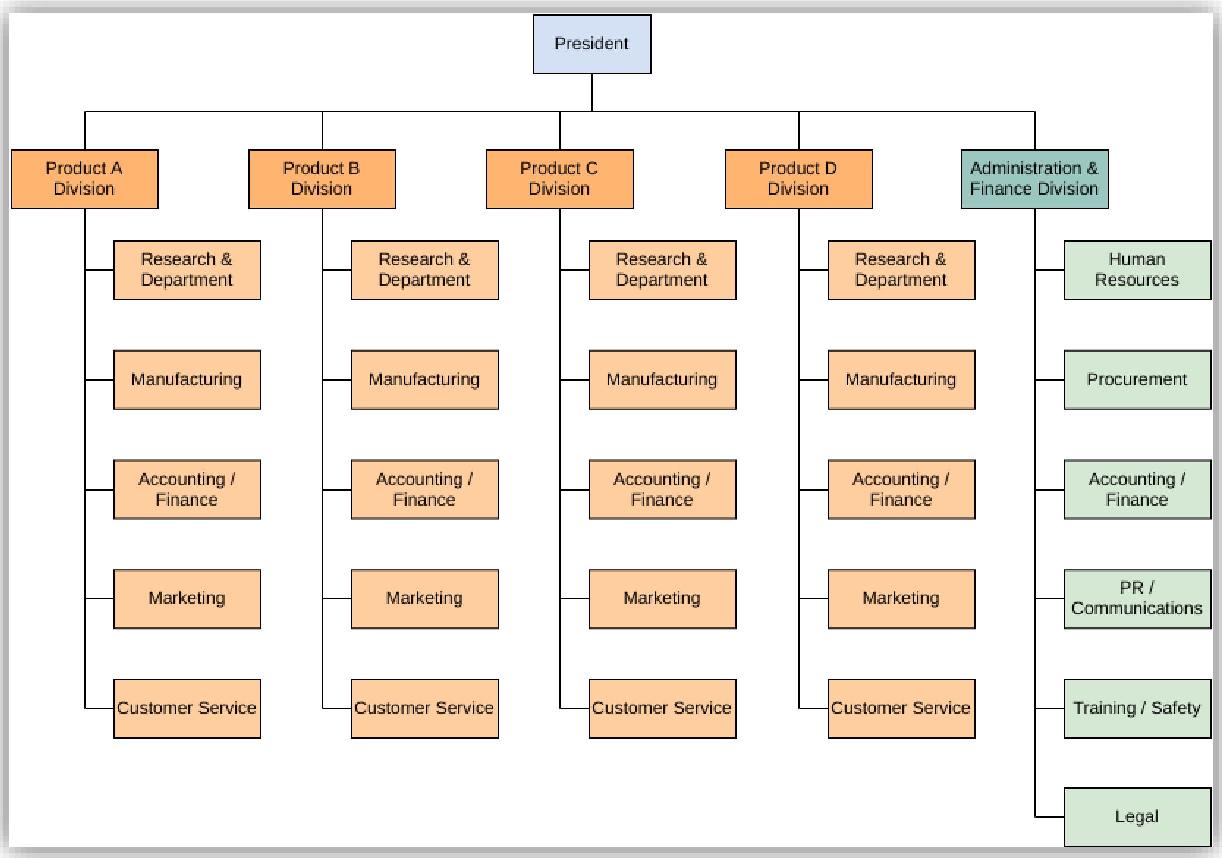
Since each product line unit is separately compartmentalized, one unit can act independently of the other unit and **internal decision-making** processes are much more **streamlined and quicker**, as compared to a functional structure where the product manager is required to coordinate with other departments like Finance, Accounting, Market Research, Production etc. which is a significant overhead. For an organization stepping into a new realm, being **first-to-market** is a huge factor in sales.

Once these different product lines are up and running, the company can diversify further more into other new product lines if it wishes to **without affecting the existing chain of command**.

Since each business unit is aware of its specific customers, it can **target** these customers better and improve their product offerings with more **quality**.

Each division manager is responsible for the undertakings of their division and will report directly to the upper management. The upper management has a complete overview of all the different units of the organization and can **macro-manage** the activities of each unit as it sees fit.

For a clearer picture, the below organizational chart summarizes how the divisional structure looks like:



Instead of maintaining one big block of R&D, Accounting, Manufacturing, Marketing, Quality Control etc. where one group is isolated from the other, it is better to have smaller teams of these functions and group them together by divisions in order to facilitate faster and efficient work. Since these smaller functional blocks now work with each other in a division, they are much more **product-oriented** and are **aware of their divisional activities** to a broader extent.