Cambridge (CIE) IGCSE Business

Your notes

2.2 Organisation & People Management

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Organisational Charts & Roles

Organisational Structures

An organisational structure **outlines the reporting relationships, roles, and responsibilities of employees** in the organisation

- Businesses must determine what the best structure is for them so as to **effectively implement ideas** and **achieve their objectives**

  - They should consider how the structure may affect the **management and effectiveness of operations** and **communications**

  - A well-designed organisational structure helps to **promote clarity, efficiency** and **accountability**

Diagram: an organisational chart

CHAIN OF COMMAND

SPAN OF CONTROL
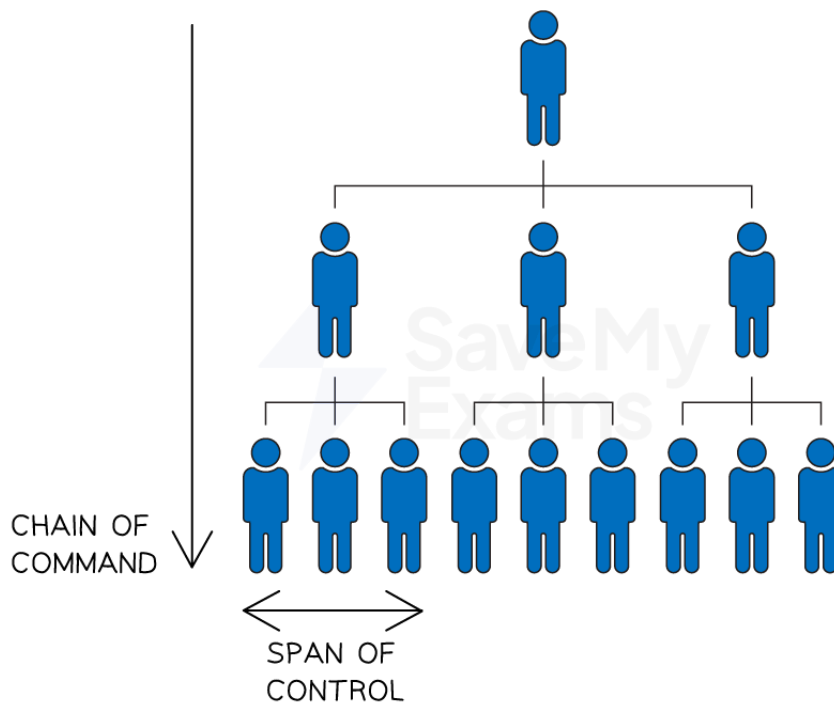
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This organisation chart shows a traditional hierarchy where workers are answerable to the supervisor or manager who has authority over them in the structure

1. Hierarchy

- A hierarchy refers to the **levels of authority** within an organisation

  - It describes the ranking of positions from top to bottom

  - The **higher the position** in the hierarchy, **the more authority** and power it holds

  - The hierarchy usually includes top-level management, middle-level management, and lower-level employees

2. Chain of command

- The chain of command is the **formal line of authority** that flows downward from the top management to lower-level employees

  - It defines who reports to whom and who is responsible for making decisions

  - The chain of command helps to establish a **clear communication channel** and helps to maintain accountability within the organisation

3. Span of control

- Span of control refers to the number of employees that a **manager or supervisor can effectively manage**

- It is based on the principle that a manager can only effectively manage a limited number of employees

  - A **narrower span of control** means that there are more layers of management

  - A **wider span of control** means that there are fewer layers of management

Tall & Short Organisational Structures

- The chain of command and span of control are closely linked

  - A long chain of command usually results in a narrow span of control

    - This is known as a **tall** organisational structure

  - A short chain of command usually results in a wide span of control

    - This is known as a **flat** organisational structure

Characteristics of tall and Short Structures

Tall Organisational Structure	Flat Organisational Structure
- **Multiple levels of management** - A l**ong** chain of command and narrow span of control	- Fewer levels of management

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- Common in large organisations with complex operations
 	
    - E.g. government agencies and universities
	- A **short** chain of command and wide span of control
	
	- Common in small organisations or start-ups
	
	    - E.g. tech start-ups and small businesses

HIERARCHICAL / TALL

FLAT
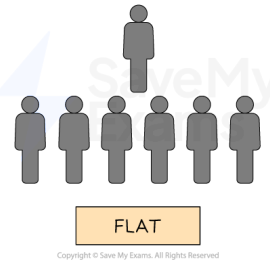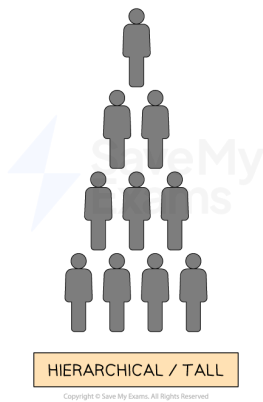
Advantages	Advantages
- Provides a **clear hierarchy** of authority and defined roles and responsibilities - **Promotes specialisation** and expertise within each department or function	- Promotes a **culture of collaboration** and open communication - Decision-making can be **faster and more efficient**

Disadvantages	Disadvantages
- Can create **communication barriers** between upper and lower levels of the hierarchy - **Decision-making can be slow** as information must pass through multiple layers of management	- Can lead to a lack of clear hierarchy - May require employees to take on **multiple roles** and responsibilities l**eading to burnout** and overwhelm

- Some businesses may choose to **remove layers from their hierarchy** which shorten the chain of command

    - This is known as **delayering**

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Examiner Tips and Tricks

Remember the following distinctions:

- The longer the chain of command, the 'taller' the organisational structure and the 'narrower' the span of control
- The shorter the chain of command, the 'wider' the span of control

In exam questions, you may be asked to define a specific key term in this section or explain a type of organisational structure

The Role of Management

Roles, Responsibilities and Organisational Relationships

- The **organisational structure** of a business determines the roles, responsibilities and relationships in an organisation

    - Individuals at the top of the structure usually have more authority

    - Middle managers will have relationships with senior managers, other middle managers, and their subordinates

    - These hierarchies determine the formal routes through which **communication** often flows in a business

Diagram: possible business roles
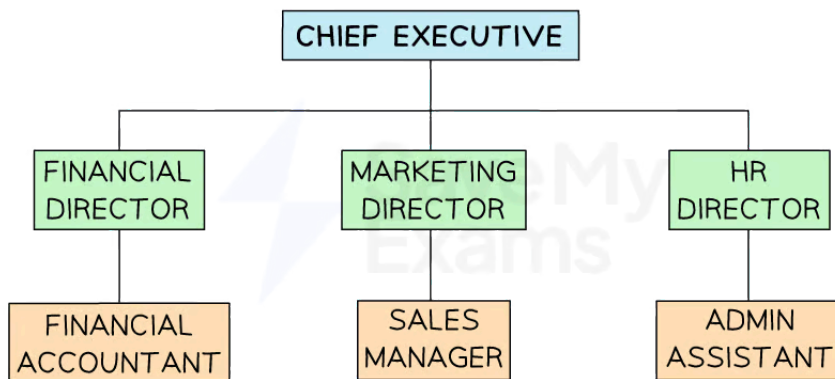
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Many larger firms are arranged into functional departments such as Finance and marketing, which are led by directors who carry the final responsibility for the work of everyone in the department

Managers

- **Managers** have **many responsibilities** in the business and help it to **operate effectively on a day-to-day basis**

- Types of managers include **directors**, **line managers** and **supervisors**

Roles and Responsibilities of Managers in an Organisation

| Job Roles	Responsibilities
Owners/Directors	▪ Establish the business' **overall goals** ▪ Set **long-term plans** and targets for the business
Managers	▪ Work to **achieve the short and long-term targets** set by the owners or directors ▪ May be **responsible for a function** within the business, e.g. marketing or finance ▪ Use employees and other resources in the best possible ways
Supervisors/Team Leaders	▪ Help managers achieve their targets by **reporting any problems and passing on instructions** ▪ Take **simple decisions,** such as allocating jobs among different employees

Role and Functions of Management

- The responsibilities of **managers are similar,** no matter the organisation in which they work

  - In **schools**

    - **Headteachers** organise the school's overall curriculum and staffing

    - **Heads of Department** manage teaching staff and subject course planning

    - **Pastoral Managers** focus on pupil behaviour and reward systems

    - **Site Managers** oversee the safety and maintenance of buildings and equipment

Diagram: manager roles
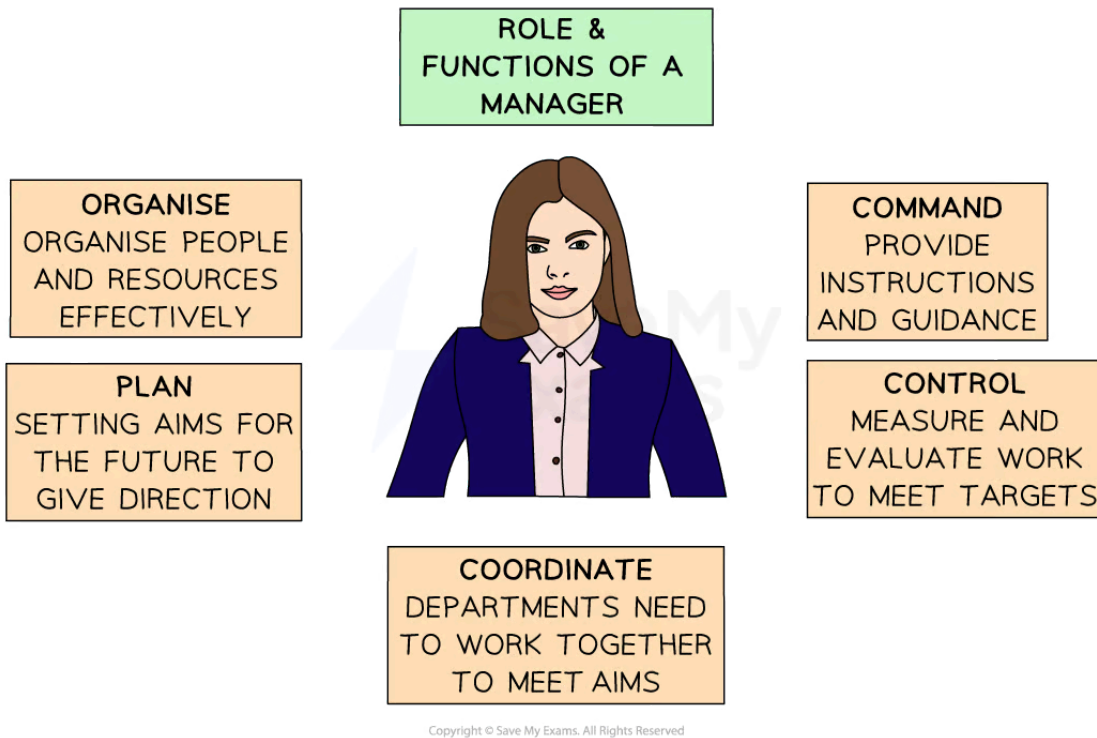
Managers roles commonly include planning, organising, commanding and controlling

Planning

- Setting targets or aims for the organisation or department to achieve which provide a clear sense of **purpose and direction**

- Managers also **plan and budget for resources required** to achieve targets

  - The number of people required

  - Finance and **capital resources** needed

Organising

- Once targets have been set, **managers should then organise the resources** including

  - Allocate tasks and delegate responsibility to employees

  - **Make changes** to ways of working to improve efficiency

Commanding

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- Managers need to **guide, lead and supervise employees** in the tasks they do

  - Make sure staff meet deadlines and achieve individual or team targets

  - Provide feedback and direct staff to tasks

Controlling

- **Evaluate the performance** of employees and teams

- Investigate reasons for missed targets and implement changes

- Manage **budgets** and report to senior leaders

- Ensure effective **coordination between departments to** achieve the organisation's aims

Delegation

- Delegation is a process where responsibility for specific **tasks is given to subordinates** by managers

  - Delegation usually involves **transferring authority** from manager to subordinate

  - E.g. the Human Resources Director of a large company **delegates authority** for recruitment and training to the Recruitment and Training Manager

The Advantages of Delegation

Advantages for Managers	Advantages for Workers

- Allows managers to **concentrate on important tasks**
 	
   - Managers do not have the time to do complete every task themselves
	- Delegation allows workers to **feel empowered in decision making**
	
	   - This can **motivate** as staff are trusted to perform a job well

- Helps managers to **measure the performance of their staff** as they can judge how well subordinates carry out these tasks	- Provides **a form of training** as workers learn on the job thus increasing job opportunities to progress within the organisation

- Can help to **reduce errors** if managers delegate
 	
   - Workers may be skilled in certain areas and have sufficient time to complete the task to a higher standard
	- Makes employees **work more interesting and rewarding**
	
	   - This could reduce absenteeism and labour turnover

- Some managers are reluctant to delegate as they **lose some control over decision-making**

  - Managers may need support to be able to balance trust and control to delegate appropriate tasks

  - **Autocratic** leaders may not be willing to give authority to others

  - Some managers may feel **threatened** by highly skilled subordinates seeking promotion

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Types of Leadership Styles

- Leadership is about having a **vision**, sharing that vision with others and **providing direction**

- Leadership is necessary in many different contexts

    - A leader in sport could be the captain of a national football or basketball team

    - A political leader could be a president, prime minister of leader of a political group

- Leaders can **inspire** and **motivate** others to **work towards a common goal**

    - This contributes to the **meeting of aims and objectives** and supports the **development of a motivated workforce**
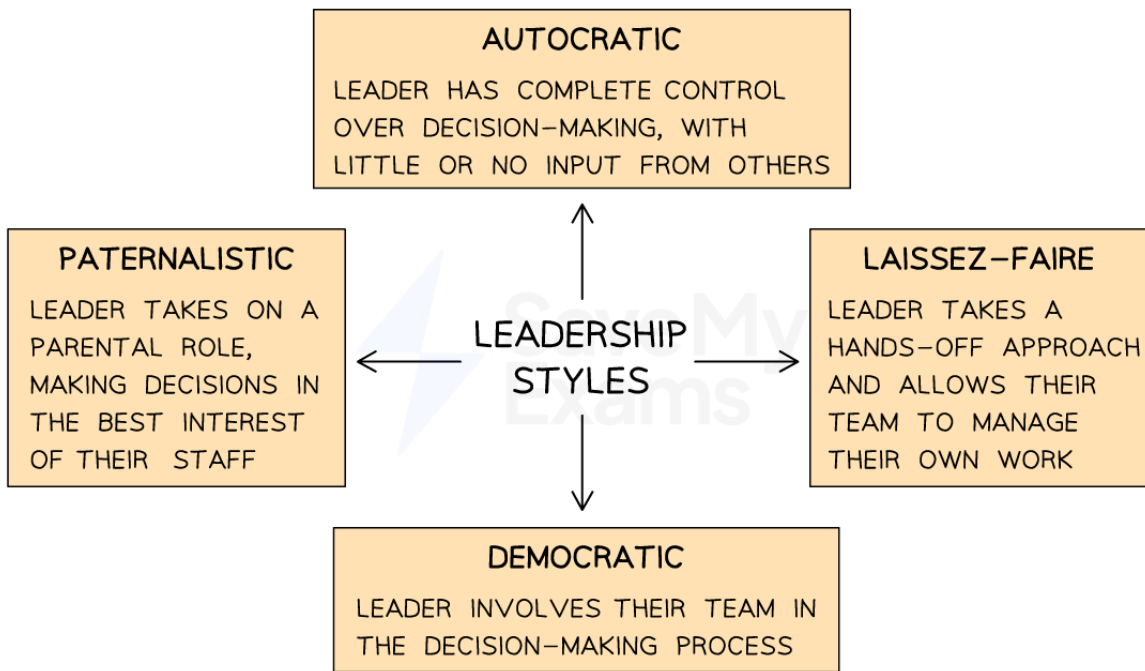
Leadership styles

- Leadership styles reflect the **behaviours and attitudes of a leader towards their team members** and influence the **organisational culture**, productivity and performance of a business

- A successful leader will be able to **use a variety of leadership styles,** depending on the situation, to achieve the best results for their business

Diagram: different leadership styles

Most leaders operate using an autocratic, democratic or laissez-faire leadership style

Autocratic leadership

- An autocratic leader holds **absolute power and authority** within a business

  - Leaders set the direction and goals of the business and makes decisions without seeking input or agreement from others

  - The opinions, ideas or expertise of team members are not generally considered

  - Decisions are generally **not open for discussion** or debate

  - Strict **obedience** and **compliance** is expected from subordinates

  - Communication in business is mainly one-way: downward or 'top-down'

Advantages & Disadvantages of Autocratic Leadership

Advantages	Disadvantages
- Autocratic leaders can make **swift decisions without the need for lengthy discussions**	- **Reduced employee morale** as workers have no input into decision-making

- Speeds up decision-making

- Can be crucial in emergency situations

- **Coordination** and **efficiency** may be improved as roles and tasks are clearly stated

- Lack of input from team members limits ideas for **problem-solving and innovation**
- **Limited creativity** as employees are required to follow strict instructions and are closely monitored

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Democratic leadership

- Democratic leaders actively **involve employees** in the decision-making process and **encourage discussion**, though they have the final say

  - Consultation, collaboration, **delegation** and teamwork are common features

  - It is most effective in organisations with **skilled** and **experienced employees**

  - It works well in **creative industries** when managers give workers responsibility to work on projects together and manage their own time

- James Parker, the ex CEO of **Southwestern Airlines,** is well-known for his democratic style of leadership. In his book *Do the Right Thing* he states *"I've always tried to expect the best of people and to trust them, and I have almost never been disappointed. Part of trusting people is empowering them to make decisions"*

Advantages and Disadvantages of Democratic Leadership

Advantages	Disadvantages

- Encouraging participation from employees in decision-making processes
 	
  - Can lead to higher levels of **employee engagement** and **job satisfaction**
 	
- Individuals feel **valued and empowered** when their opinions and ideas are considered
 	
- Encourages **creativity and innovation** within a business
 	
  - Employees are more likely to **share ideas** and **think outside the box** when they have a say in decision-making
	- Decision-making can be **time-consuming** as **consensus** or majority agreement is sought
	
	  - **Competitive advantage** may be lost as decisions take longer than rivals
	
	  - Making compromises may cause further delays
	
	- **Conflicts** and **disagreements** may arise when different views are sought
	
	  - Resolving conflicts can be challenging and time-consuming
	
	  - Leaders need to possess **strong conflict resolution skills** to ensure that disagreements do not escalate

Laissez-Faire leadership

- Laissez-faire leaders play a **minimal role** in managing subordinates or business teams

  - Leaders **provide little guidance**, direction or supervision to employees

  - Employees have significant **autonomy** and **freedom** in making decisions and completing tasks

  - Laissez-faire leadership is most appropriate where leaders are working with a **highly skilled** and **self-motivated team** that requires minimal supervision

  - **Communication may suffer** in this type of organisation as clear direction is not given

Advantages and Disadvantages of Laissez-faire Leadership

| Advantages	Disadvantages
- Laissez-faire leadership can **encourage creativity and innovation** within the business - Employees have the **freedom to explore ideas** and make decisions independently - This allows for **diverse perspectives** and fresh approaches to problem-solving - Employees are **empowered** because they have autonomy and ownership over their work - Team members feel trusted and valued - This enhances **job satisfaction**, **motivation**, and a **sense of responsibility**	- Some **employees may struggle with decision-making** - This can lead to **inefficiency** and a **lack of coordination** within the team **Productivity may fall** as individuals struggle to prioritise tasks or make informed decisions - Without clear guidelines or standards, there is a **risk of inconsistency** in the quality of output - Different employees may have varying approaches - This may lead to a **lack of cohesion** and potential **conflicts** in the team

Recommending an Appropriate Leadership Style

- The **choice of leadership style** can be influenced by a range of factors

  - Business **circumstances** including the nature and size of the business

  - **Aims** and **objectives** to be achieved

  - **Personality, experience** and **skills** of the leader

- In particular, the **skills and abilities of the workforce** and the **nature of the competitive business environment** will impact upon the style of leadership adopted

Diagram: appropriate leadership styles
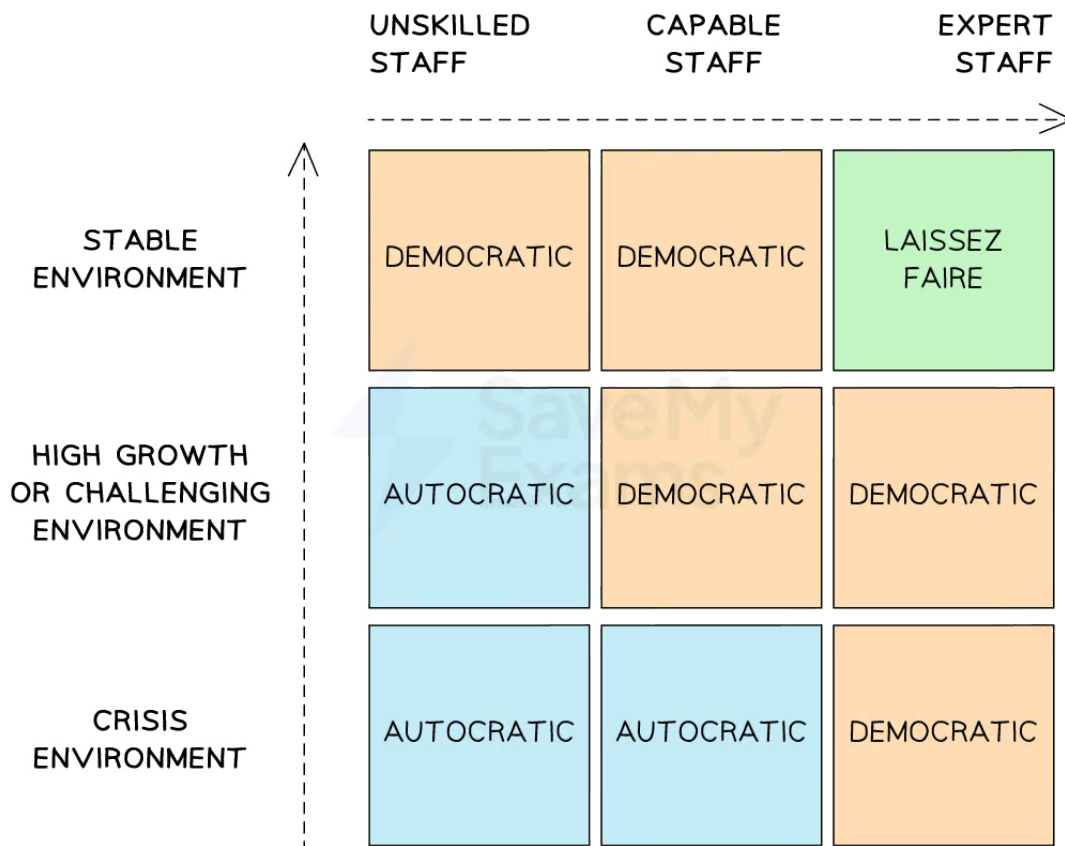
The leadership style adopted will depend on the skills of workers and the environment in which a business operates

Choosing the most appropriate style

- When a business faces a **crisis situation** and its workers are unskilled, **autocratic leadership** is likely to be most appropriate

  - However, if the workers are highly skilled, a democratic approach would be more effective

- When a business operates in a **stable environment** and its workers are unskilled, a **democratic** approach is likely to be most appropriate

  - However, if the workers are highly skilled, a laissez-faire approach would be more effective

- When a business operates in a **high growth/challenging** environment and its workers are unskilled, an **autocratic** approach is likely to be most appropriate

- However, if the workers are highly skilled, a democratic approach would be more effective

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Examiner Tips and Tricks

Exam questions often ask you to recommend an appropriate leadership style for a business, or to epand on the advantages or disadvantages of a particular style. Often the choice of style depends upon the current situation of the business. Leaders may not be autocratic all of the time but at certain times it may be the best best approach.

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Trade Unions

- A **trade union** is an organisation that **represents the interests of its workers** in negotiations with a firm's management or owners

  - A trade union's main aim is to **protect and advance the interests of its members** in the workplace

  - Most trade unions are **independent of any employer** but try to develop close working relationships with employers

- The **interests of the worker** include:

  - Correct and fair pay

  - Non wage benefits of employment such as training

  - Health and safety in the working environment

  - Suitable working environment

  - The reduction of **discrimination** and worker exploitation

- Trade unions are usually formed by the members of **specific industries**

  - Airline pilots have a **pilots' union**

  - Rail & sea workers have a **rail & maritime union**

  - E.g. The NEA is the USA's largest professional employee organisation representing public school teachers and other support personnel at colleges and universities

- Workers pay a **monthly fee** to join a trade union

  - The fee is called a **subscription**

  - Membership ends when the member stops paying this fee

The Effects of Trade Union Membership

- Almost 23% of UK employees in permanent positions belonged to a trade union in 2022

- Poland has the **lowest level of trade union membership** in the EU

- Around 70% of workers in Scandinavian countries are trade union members

- **Public sector** industries tend to have the highest **membership density**

- Women are more likely than men to belong to a trade union

- Trade union members generally receive higher pay than non-union members

- Trade unions can become so large that they are able to **influence government decisions** in favour of workers

The effects of trade union membership for employees

Pros & Cons of Trade Unions For Workers

Pros	Cons
- Workers no longer need to negotiate with management on their own, as they benefit from **collective bargaining** - Workers receive **better pay** than non-unionised workers - Workers enjoy **better working conditions** than non-unionised workers - Workers enjoy **better non-wage benefits,** such as guaranteed lunch breaks - Workers receive **specialised job training** & free legal advice from the union	- Industrial action is **stressful** as it is a conflict between workers & management - Workers **do not get paid** while on strike - Strike action **disrupts economic activity** & can upset other people in the economy - Individual workers may not agree with specific demands made by the trade union on behalf of all the workers, and yet they are pressured to support the **collective action** - Some union members continue to work through a strike (they may need the money) & receive **abuse & intimidation** from the other striking union members

The effects of trade union membership for employers

- The higher the percentage of workers from a firm that belong to a trade union, the greater the **collective bargaining** power of that union with the employer

Advantages and Disadvantages of Trade Unions for Employers

Advantages for Employers	Disadvantages for Employers
- Training from the trade union **increases worker productivity** which decreases costs - Empowerment in the workplace **improves employee motivation**, which usually results in	- Including unions in decision-making **increases the time** period taken to implement changes which can be detrimental to effective competition

fewer sick days, higher productivity & **greater output** for the firm	• **Management styles** have to be more inclusive & less authoritarian which some managers find difficult to accept
	• Meeting union demands **increases costs of production**, which may reduce output & profits

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Examiner Tips and Tricks

It is commonly assumed that trade unions are negative for business owners. To balance any exam answers, always consider how trade unions can benefit businesses.