

Strategic Choice of Structure

HL worksheet | Topic 2.2 Organizational Structure | Includes teacher answer key and marking guidance at the end.

Level	HL	Worksheet	HL-1
Recommended time	65 minutes	Total marks	48
Focus	evaluating structural options in a multi-product international business	Use product international business	IB-style semester assessment practice

Instructions

Answer all questions. Use appropriate business terminology and, where relevant, apply your answer to the case material. For extended responses, support your judgement with balanced reasoning.

Section A: Multiple choice

- Which structural choice is most likely to increase specialization but risk silo behaviour? **(1)**
 - Functional structure
 - Flat structure
 - Project-based structure
 - Delaying
- A business with very different regional customer needs may prefer decentralization because it: **(1)**
 - reduces the need for accountability
 - allows local managers to adapt decisions quickly
 - guarantees lower fixed costs
 - eliminates duplication across units
- A project-based structure is most likely to be effective when work is: **(1)**
 - continuous and highly standardized
 - organized around distinct contracts or temporary assignments
 - focused on one country only
 - managed without leaders
- One likely weakness of a highly centralized structure in a fast-moving market is: **(1)**
 - lack of strategic control
 - slower responses to change
 - too much local autonomy
 - too little consistency
- Which statement is most accurate about organizational design? **(1)**
 - The same structure is optimal for all industries.
 - Structure should reflect strategy, risk, and operating conditions.
 - Delaying and delegation are identical concepts.
 - Flat structures remove the need for leadership.

6. A company that separates Asia, Europe, and the Americas into different management units is using a: **(1)**
- functional structure
 - geographical structure
 - bureaucratic system
 - narrow span of control
7. Which change most directly increases local accountability for product performance? **(1)**
- Moving from product divisions to a single finance department
 - Grouping managers by product line with profit targets
 - Increasing the number of approval stages
 - Centralizing all customer service decisions
8. A pharmaceutical manufacturer is more likely than a fashion retailer to prefer: **(1)**
- strict oversight and clearer reporting lines
 - minimal supervision and informal rules
 - total decentralization of compliance decisions
 - the widest possible span of control

Section B: Short answer

9. Explain why a company may move from a simple founder-led structure to a more formal departmental structure as it expands. **(3)**
10. Analyse one advantage and one disadvantage of a product-based structure for a technology manufacturer. **(3)**
11. Why might a geographical structure become more attractive as a business enters more countries? **(3)**
12. Distinguish between centralization and bureaucratic formalization. **(3)**

Section C: Data response / case study

Case study: Orbis HomeTech

Orbis HomeTech designs smart thermostats, security cameras, and air-quality monitors. For years it used a functional structure with centralized design and procurement decisions at headquarters.

The firm now sells in 22 countries. Retail partners in different regions want customized product bundles and faster software updates. Product managers argue that the current structure is too slow because design, procurement, and marketing do not always prioritize the same product at the same time.

The chief executive is deciding between retaining the functional structure with stronger delegation, or shifting to product-based divisions supported by regional sales teams.

Recent operating data

Measure	Thermostats	Cameras	Air-quality monitors
Revenue growth	5%	17%	11%

Average delay in product update launch	2 weeks	6 weeks	4 weeks
Number of major retail markets	14	22	18
Customer return rate	2.8%	4.9%	3.1%

- 13.** Identify one feature of the case that suggests the current structure is under pressure. **(2)**
- 14.** Using the data, analyse one reason why product-based divisions might improve performance. **(4)**
- 15.** Explain one reason why Orbis might keep a functional structure but delegate more decisions instead of fully reorganizing. **(4)**
- 16.** Recommend the most appropriate structural change for Orbis HomeTech. **(6)**

Section D: Extended response

- 17.** Evaluate the extent to which organizational structure should be driven by market responsiveness rather than by internal efficiency. **(12)**

Write a balanced response with a justified conclusion. Use concepts from the topic and apply them where possible.

Answer key and marking guidance

Use this section as a teacher markscheme. Credit any accurate alternative wording that demonstrates the relevant business concept and, where appropriate, sound application to the case.

Section A markscheme

Q	Correct	Marking guidance
1	A	Functional structures deepen expertise but can weaken cross-department coordination.
2	B	Decentralization can improve adaptation and speed in local markets.
3	B	Project structures suit contract-based or temporary work.
4	B	Centralized approval chains can slow reactions in dynamic markets.
5	B	Different conditions require different structural responses.
6	B	This is a geographical grouping by region.
7	B	Product divisions create clearer accountability for each line.
8	A	Regulated sectors often need tighter control and formal structures.

Section B markscheme

Q9. Explain why a company may move from a simple founder-led structure to a more formal departmental structure as it expands. **(3)**

Indicative answer:

- Growth increases the volume and complexity of decisions.
- A founder cannot supervise every activity efficiently at larger scale.
- Departments clarify roles, improve accountability, and support coordination.

Marking guidance:

- 1 mark for identifying growth or complexity
- 1 mark for explaining founder limits
- 1 mark for developed explanation of formal structure benefits

Q10. Analyse one advantage and one disadvantage of a product-based structure for a technology manufacturer. **(3)**

Indicative answer:

- Advantage: product teams can focus on customer needs, speed, and accountability for each line.
- Disadvantage: support functions may be duplicated, increasing cost and internal rivalry.

Marking guidance:

- 1 mark for a valid advantage
- 1 mark for a valid disadvantage
- 1 mark for analysis or technology-manufacturer application

Q11. Why might a geographical structure become more attractive as a business enters more countries? **(3)**

Indicative answer:

- Regional differences in customer demand, regulation, or distribution become more important.
- Local management can respond faster than a distant head office.
- This may improve market fit, though coordination remains necessary.

Marking guidance:

- 1 mark for identifying regional differences
- 1 mark for explaining local responsiveness
- 1 mark for development or balance

Q12. Distinguish between centralization and bureaucratic formalization. **(3)**

Indicative answer:

- Centralization concerns where decision-making authority is located.
- Bureaucratic formalization concerns the extent of rules, procedures, and written controls.
- A business may be centralized without being highly bureaucratic, or vice versa.

Marking guidance:

- 1 mark for a correct point on centralization
- 1 mark for a correct point on formalization
- 1 mark for a clear distinction

Section C markscheme

Q13. Identify one feature of the case that suggests the current structure is under pressure. **(2)**

Indicative answer:

- Credit any valid feature such as different product needs, international spread, delayed launches, or conflicting departmental priorities.

Marking guidance:

- 1 mark for identifying a relevant feature
- 1 mark for linking it to structural pressure

Q14. Using the data, analyse one reason why product-based divisions might improve performance. **(4)**

Indicative answer:

- Cameras have the highest growth at 17% but also the longest delay at 6 weeks and the highest return rate at 4.9%.
- A dedicated product division could align design, procurement, and marketing more tightly for that line.
- This may accelerate updates and improve accountability for product quality.

Marking guidance:

- 1 mark for selecting relevant data
- 1 mark for interpreting the pattern
- 1 mark for linking to product-based divisions
- 1 mark for developed impact on performance

Q15. Explain one reason why Orbis might keep a functional structure but delegate more decisions instead of fully reorganizing. **(4)**

Indicative answer:

- A functional structure preserves specialist expertise and may avoid the cost of duplicating support functions.
- Delegating more operational decisions could speed up responses without a major restructuring.
- This may be attractive if the firm wants change with less disruption.

Marking guidance:

- 1 mark for a valid reason to keep the functional structure
- 1 mark for linking delegation to faster decisions
- 1 mark for explaining reduced disruption or cost
- 1 mark for developed case application

Q16. Recommend the most appropriate structural change for Orbis HomeTech. **(6)**

Indicative answer:

- A strong answer may recommend product-based divisions supported by regional sales coordination because the products show different growth, delay, and market patterns.
- This could improve focus, accountability, and speed.
- However, the answer should note increased cost or duplication and explain how to control it.
- Alternative recommendations are acceptable if fully justified.

Marking guidance:

- 1 mark for a clear recommendation
- 2 marks for developed advantages linked to data
- 1 mark for acknowledging a valid drawback
- 1 mark for implementation or control detail
- 1 mark for overall justification

Section D markscheme

Q17. Evaluate the extent to which organizational structure should be driven by market responsiveness rather than by internal efficiency. **(12)**

Indicative content:

- Market responsiveness may require decentralization, product focus, flatter communication, or regional autonomy.
- Internal efficiency may favour functional specialization, central purchasing, and standardization.
- Overemphasis on responsiveness may duplicate resources; overemphasis on efficiency may create delays and poor customer fit.
- The strongest answers argue that structure should balance both priorities according to strategy, competition, and operational risk.

Level descriptors:

Band	Descriptor
1-3	Limited understanding; mostly descriptive.
4-6	Some analysis but uneven application or limited judgement.
7-9	Good evaluation of both priorities with relevant examples or case links.
10-12	Strong, balanced, and well-justified evaluation with a clear final position.