

# IB / A-Level Business Studies

## 2.2 Organisational Structure

Complete exam preparation notes: core theory, mini case studies, model essays, mind map, and flashcards.

### How to use this pack

- **Revise:** learn the key terms first (authority, delegation, span of control, centralisation).
- **Apply:** practise matching structures to context (size, strategy, regulation, speed of change).
- **Evaluate:** always write 'it depends' and explain the conditions for success.
- **Exam trick:** use a business example in every paragraph (even a generic one).

### Contents

- 1. What organisational structure is (and why it matters)
- 2. Authority, responsibility, accountability, and delegation
- 3. Key structural models (functional, product, geographic, project, matrix, flat/tall, hybrid)
- 4. Centralisation vs decentralisation (and when each works best)
- 5. Levels of hierarchy and spans of control (tall vs flat)
- 6. Chain of command, bureaucracy, and delayering
- 7. Matrix and informal organisation
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# 1. What organisational structure is (and why it matters)

Organisational structure is the **framework** that shows how a business divides work, coordinates tasks, shares information, and distributes decision-making power to achieve its objectives. It shapes **speed** of decision-making, **costs**, **innovation**, and **accountability**.

## What structure controls day-to-day

- **Reporting relationships:** who reports to whom (line management).
- **Division of labour:** how tasks are grouped (by function, product, region, project).
- **Communication:** vertical flow (up/down) and horizontal flow (across departments).
- **Control:** how managers monitor performance and ensure standards are met.

A structure chart is only the **visible** part. In reality, structure includes the systems and routines that determine how work happens (meetings, approval rules, teamwork, digital workflows).

## 2. Authority, responsibility, accountability, and delegation

**Authority** is the formal right to make decisions and direct others. **Responsibility** is the duty to perform tasks. **Accountability** means being answerable for outcomes. A key exam point: when a manager delegates a task, they may pass **responsibility**, but they keep **accountability**.

### Delegation (definition + purpose)

- **Delegation** is the transfer of authority to a subordinate so they can make decisions to complete a task.
- It becomes essential as the business grows because one person cannot make every decision.
- It can increase motivation (trust + empowerment) and develop future leaders.

### Benefits of delegation (use in essays)

- Faster decisions closer to customers and operations (less waiting for head office approval).
- Improves motivation and commitment (employees feel trusted).
- Frees senior managers to focus on strategy rather than routine decisions.
- Builds management skills and succession planning.

### Risks of delegation (evaluate)

- Poor decisions if employees lack training or clear limits.
- Loss of consistency if different teams handle issues differently.
- Harder coordination if communication systems are weak.
- In regulated industries, some decisions must stay central (safety/compliance).

### Mini case examples you can drop into answers:

- Hotel chain: empowering front-desk managers to resolve complaints immediately can raise customer satisfaction.
- Online retailer: founder must delegate to warehouse, marketing, and customer service managers as sales grow.
- Aviation/pharmaceuticals: delegation is limited for safety-critical decisions; oversight is necessary.

### 3. Key structural models

Businesses choose structures based on **strategy, size, product complexity, and how fast the external environment changes**. Many large firms use a **hybrid** (a mix).

Structure	How it is organised	Strengths	Limitations / risks	Best fit
Functional	By specialist functions (e.g., finance, marketing, operations).	Specialisation; efficiency; clear career paths.	Department silos; slower cross-functional coordination.	Stable products; efficiency focus; strong technical expertise needed.
Product / Divisional	By product lines or brands (each division has its own functions).	Focus on each product market; clear accountability for results.	Duplication of resources; higher costs.	Diversified firms with different products and customer groups.
Geographical	By region (e.g., Europe, Asia, Americas).	Local responsiveness; adapts to culture and regulations.	Duplicated roles; risk of inconsistent strategy across regions.	MNCs with different regional market needs.
Project-based	Temporary teams formed around projects/contracts.	Clear objectives; flexibility; strong accountability within project.	Fragmentation; resources may be fought over; careers can feel less stable.	Construction, engineering, consulting, events, product launches.
Tall hierarchy	Many management layers, often narrow spans of control.	Tight control; clear supervision; good for precision/safety.	Slow communication; bureaucracy; higher management costs.	Large organisations with high risk or strict procedures (e.g., hospitals).
Flat structure	Few layers, wide spans of control.	Fast communication; empowerment; lower costs; supports innovation.	Managers may be overloaded; needs skilled self-managed staff.	Start-ups, creative agencies, fast-changing markets.
Matrix	People report to both a functional manager and a project/product manager.	Shares expertise across projects; flexible; encourages collaboration.	Role conflict; stress; higher coordination costs; needs strong communication.	Complex organisations running many projects at once.

#### Exam Tip: Always explain WHY the structure fits the context

- Link to speed of decision-making, need for control, customer responsiveness, innovation, and cost.
- For evaluation, add: depends on size, culture, quality of managers, and communication systems.

## 4. Centralisation vs decentralisation

**Centralisation** means key decisions are made by senior managers (often at head office).

**Decentralisation** spreads decision-making to lower levels, departments, or regions.

### Centralisation - advantages

- Consistency (important for brand image and standardised quality).
- Economies of scale (central purchasing and shared services).
- Better control and risk management (useful in regulated industries).
- Clear direction when speed and coordination are critical (e.g., crisis).

### Centralisation - disadvantages

- Slower decisions (frontline staff must wait for approval).
- Lower empowerment and motivation if employees feel ignored.
- Head office may not understand local market needs.

### Decentralisation - advantages

- Faster responses to customers and local conditions.
- Increases motivation (autonomy + ownership).
- Develops managers (succession planning).
- Encourages innovation and initiative.

### Decentralisation - disadvantages

- Harder to coordinate; risk of inconsistent decisions across units.
- Higher training costs and need for strong management information systems.
- Possible duplication of effort across divisions/regions.

### Mini evaluation (high marks):

The best choice depends on the need for **control vs responsiveness**. A cost-leadership strategy may suit centralisation (standardised operations), while differentiation and fast-changing markets often benefit from decentralisation (quick local decisions).

## 5. Levels of hierarchy and spans of control

**Tall structures** have many management layers, often with **narrow spans of control** (each manager supervises fewer employees). **Flat structures** have fewer layers and usually **wider spans**.

### Tall structure - typical benefits and costs

- **Benefits:** close supervision, clear promotion pathways, strong control (useful for safety/precision).
- **Costs:** slow communication (messages pass through many levels), more bureaucracy, higher salary costs.

### Flat structure - typical benefits and costs

- **Benefits:** fast communication, empowerment, lower management costs, supports innovation.
- **Costs:** managers may be overloaded; employees need high skill and self-discipline.

### Span of control (what affects it)

- Skill and experience of employees (experts need less supervision).
- Complexity and risk of the task (high-risk tasks often need narrower spans).
- Leadership style (autonomy-supporting managers can handle wider spans).
- Use of technology (dashboards and workflow tools can widen spans).
- Geographic spread (remote teams may require extra coordination).

### Example you can use:

Hospitals often use narrow spans in clinical teams for safety, while fast-growing e-commerce warehouses may use wider spans because processes can be standardised and tracked digitally.

## 6. Chain of command, bureaucracy, and layering

**Chain of command** is the route through which instructions, decisions, and accountability flow.

**Bureaucracy** refers to formal rules, procedures, and job descriptions used to create consistency and fairness.

### Bureaucracy - when it helps

- Clarifies responsibilities and expectations (reduces confusion).
- Creates consistency and fairness (standardised procedures).
- Supports compliance (banking, healthcare, aviation, public services).
- Reduces risk in safety-critical environments.

### Bureaucracy - when it harms

- Red tape slows decisions and innovation (too many approvals).
- Employees may focus on rules rather than customer needs.
- Can reduce creativity and ownership.

## Delaying

**Delaying** means removing levels of hierarchy to reduce costs and speed communication. It often leads to wider spans of control and more empowerment, but it can also increase workload and stress.

### Delaying - evaluation points

- Can speed decision-making by shortening communication lines.
- May reduce salary costs (fewer middle managers).
- Risk: loss of experienced managers and organisational memory.
- Risk: remaining managers may supervise too many people.
- Needs strong systems, training, and clear performance measures.

### Common exam trap: delaying vs delegation

- **Delaying** removes layers (structure change).
- **Delegation** passes authority within a structure (management process).

## 7. Matrix and informal organisation

In fast-moving industries, firms often need cross-functional teamwork. A matrix structure combines functional expertise with project focus and gives employees dual reporting lines.

### Matrix structure - strengths

- Shares experts across projects (better use of scarce talent).
- Improves communication between departments (less silo thinking).
- Flexible: teams can form and dissolve as priorities change.
- Supports innovation by combining diverse perspectives.

### Matrix structure - weaknesses

- Conflicting priorities from two bosses (role conflict).
- Can increase stress and reduce clarity about who decides.
- Higher coordination costs (meetings, admin, alignment).
- Needs strong culture and communication systems to work.

### Informal organisation

Alongside the formal chart, businesses also have an **informal structure**: networks, relationships, and culture. This can speed problem-solving and support creativity, but it may also create ambiguity if authority is unclear.

### When informal structures are common

- Creative agencies, research teams, consulting partnerships, professional firms.
- Small start-ups where collaboration matters more than hierarchy.
- Knowledge-based work where expertise (not rank) influences decisions.

## 8. Choosing and adapting structure (contingency factors)

There is no single best structure. A good structure **fits** the organisation's situation. This is sometimes called a **contingency approach**.

### Key factors to mention in evaluation

- **Size and growth stage:** small firms can be informal; growth usually requires more structure.
- **Strategy:** cost leadership tends to favour centralisation and standard procedures; differentiation often needs flexibility.
- **External environment:** stable markets suit mechanistic/tall structures; rapidly changing markets suit organic/flat/team-based.
- **Technology:** real-time data systems can support decentralised decisions and wider spans of control.
- **Regulation and risk:** safety-critical industries need clear lines and formal control.
- **Culture:** collaborative cultures fit decentralisation; strict cultures fit centralisation.

### How external forces trigger structural change

- **Technological change:** shared digital systems enable faster cross-department coordination and decision-making closer to operations.
- **Competitive intensity:** fast rivalry pushes firms towards flexible teams and quicker product decisions.
- **Economic conditions:** downturns can lead to cost-cutting and delayering; growth can lead to new layers or regional divisions.
- **Labour market:** skill shortages may require empowerment and autonomy to retain specialists.

## 9. Exam technique + practice questions

### Command terms (what examiners want)

- **Explain:** show cause and effect (because -> therefore).
- **Analyse:** develop the chain with impacts on performance (costs, speed, quality, motivation).
- **Evaluate:** make a judgement using conditions (depends on...).

### 15/20-mark structure (safe template)

- **Intro:** define the key term(s) and state a balanced line of argument.
- **2-3 developed points (PEEL):** Point, Explain, Example, Link to objectives.
- **Counterargument:** show the trade-off / limitation.
- **Conclusion:** weigh factors and decide what is best in this context.

### Practice questions

- Discuss the benefits and drawbacks of a tall organisational structure for a hospital. (15)
- Evaluate whether decentralisation is suitable for a multinational company operating in several regions. (20)
- Assess the impact of delayering on communication and motivation in a large firm. (15)
- Evaluate whether a matrix structure improves performance in a company running many complex projects. (20)

## 10. Model answers

### Model 15-mark essay

**Question:** Discuss the advantages and disadvantages of a flat organisational structure for a fast-growing digital marketing agency. (15)

A flat organisational structure has few levels of hierarchy and usually wide spans of control. For a fast-growing digital marketing agency, a flat structure can bring major advantages.

First, communication is quicker because messages do not pass through many managers. This supports rapid responses to client requests and changing online trends.

Second, employees often have more autonomy, which can raise motivation and creativity - both important in marketing work where ideas and experimentation matter.

Third, fewer managers can reduce salary costs, helping the agency stay competitive on price.

However, a flat structure also has drawbacks. Wide spans of control can overload managers, especially as the agency grows and takes on more clients. This may reduce supervision quality and increase mistakes or missed deadlines.

In addition, role clarity can weaken if the organisation becomes too informal, leading to confusion about who is responsible for decisions. Finally, if the agency needs specialist functions (e.g., legal compliance, finance controls), it may need more structure to avoid risk.

Overall, a flat structure can work well in the early growth stage because it supports speed and innovation. However, as the agency scales up, it may need clearer reporting lines, team leaders, or a hybrid structure to maintain control while keeping flexibility.

## Model 20-mark essay

**Question:** Evaluate whether a matrix structure is the most appropriate organisational design for a company developing several complex digital products at the same time. (20)

A matrix structure combines functional specialisation with project or product teams. Employees typically report to both a functional manager (e.g., IT, finance, marketing) and a project manager.

For a company developing several complex digital products simultaneously, a matrix structure can be effective because it allows scarce expertise to be shared across projects. For example, cybersecurity specialists, data analysts, and UX designers can contribute where needed without being locked into one department. This improves flexibility and can speed innovation by bringing different perspectives together.

A second advantage is better cross-functional coordination. Complex digital products require collaboration between technical teams, marketing, finance, and operations. A matrix can reduce silo behaviour by creating shared objectives within each project team. It also supports employee development because staff gain experience across multiple projects and build broader skills.

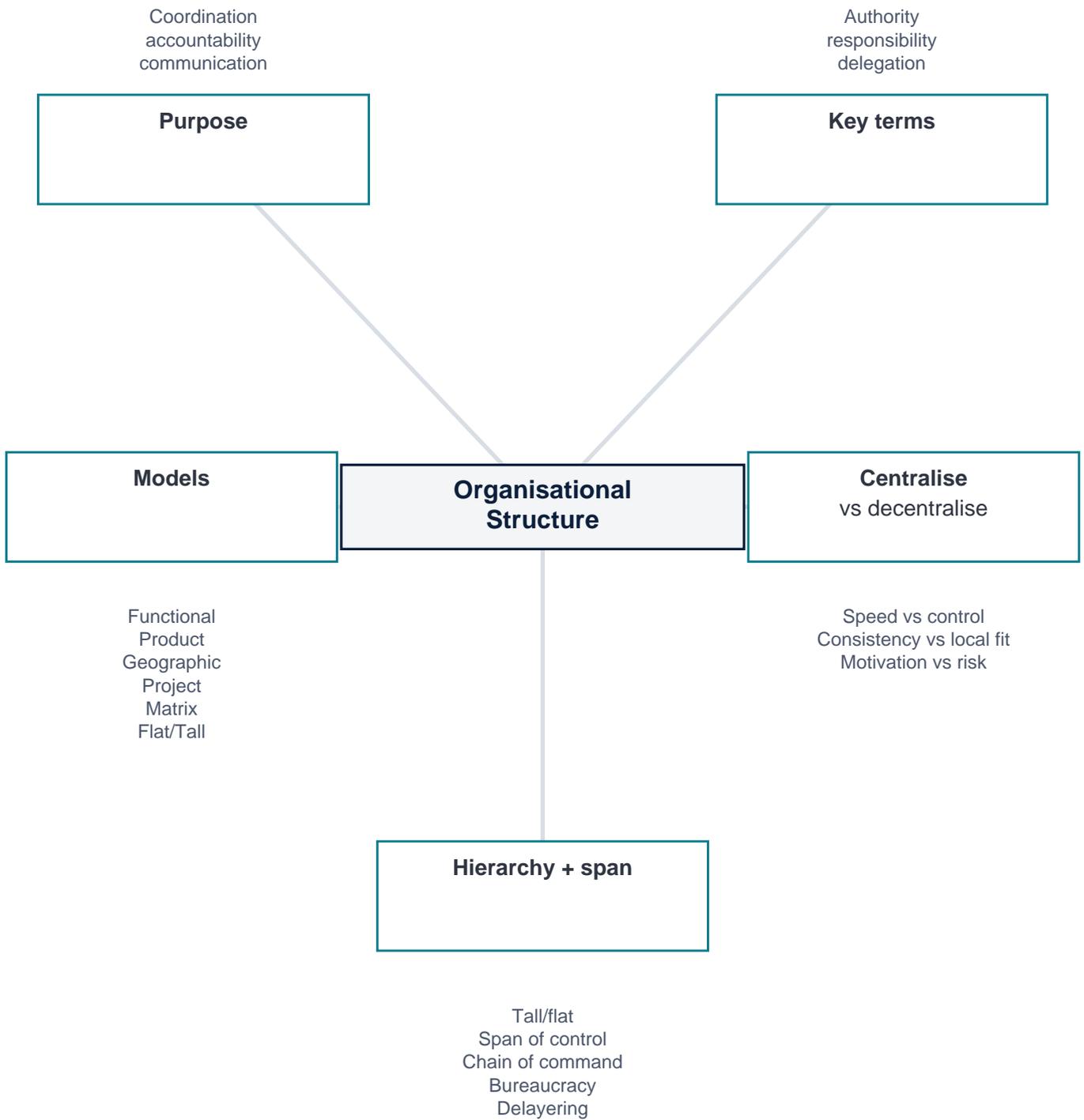
However, matrix structures create important risks. Dual reporting can cause role conflict: employees may receive conflicting instructions from two managers, increasing stress and reducing efficiency. Projects may compete for the same people, leading to arguments about priorities and delays. In addition, matrix systems often increase coordination costs because they require more meetings, communication, and administrative support.

Whether the matrix is the best option depends on management capability and culture. If the organisation has strong communication systems, clear decision rights, and a collaborative culture, a matrix can deliver innovation and speed. But if the culture is competitive or unclear, the structure may damage motivation and cause confusion. In some cases, a hybrid design with clear project authority for deadlines, supported by strong functional standards, may be more effective than a full matrix.

In conclusion, a matrix structure can be an appropriate design for multi-product digital development, but only when the firm can manage conflict, clarify accountability, and invest in coordination. Without these conditions, the costs may outweigh the benefits.

# 11. One-page revision mind map

Use this page to recall the whole topic in 60 seconds.



## 12. Quick recall flashcards

Cover the answers and test yourself. Aim for speed and accuracy.

Question	Answer
What is organisational structure?	The framework that shows how tasks, authority, and communication are organised to achieve objectives.
Define authority.	The formal right to make decisions and direct others.
Define responsibility.	The duty to complete assigned tasks.
Define accountability.	Being answerable for outcomes; managers keep it even when delegating.
What is delegation?	Passing authority to a subordinate so they can make decisions to complete a task.
Centralisation vs decentralisation?	Centralisation: key decisions at the top. Decentralisation: decisions spread to lower levels/regions/teams.
One advantage of centralisation.	Consistency and control (useful for brand standards and compliance).
One disadvantage of centralisation.	Slow decision-making and weaker local responsiveness.
One advantage of decentralisation.	Faster local decisions and higher motivation (empowerment).
One disadvantage of decentralisation.	Harder coordination and possible inconsistent decisions.
Tall structure?	Many management layers, often narrow spans of control.
Flat structure?	Few layers, often wide spans of control.
Span of control?	Number of subordinates directly supervised by one manager.
Narrow vs wide span (basic idea).	Narrow: close supervision. Wide: more autonomy, lower costs, higher manager workload.
Chain of command?	The route through which instructions and accountability flow.
Bureaucracy?	Formal rules and procedures to ensure consistency and fairness.
Delaying?	Removing layers of management to reduce costs and speed communication.
Delaying vs delegation?	Delaying changes structure (fewer layers). Delegation passes authority within a structure.
Functional structure advantage?	Specialisation and efficiency.
Functional structure risk?	Silos and weak cross-department collaboration.
Product/divisional structure advantage?	Focus and accountability for each product line.
Product/divisional structure risk?	Duplication of resources and higher costs.
Geographical structure advantage?	Local responsiveness to culture and regulations.
Geographical structure risk?	Duplicated roles and inconsistent strategy.
Matrix structure?	Dual reporting to functional and project/product managers.
Matrix advantage?	Shares expertise across projects and improves coordination.

Question	Answer
Matrix risk?	Role conflict and higher coordination costs.
When is centralisation most useful?	When consistency, compliance, and tight control are priorities (or during crises).
When is decentralisation most useful?	When local responsiveness and fast decision-making matter (dynamic markets).

## 13. Last-minute checklist

### Top points to memorise before the exam

- Structure sets reporting lines, communication, and decision-making power.
- Authority vs responsibility vs accountability (delegation transfers authority but not manager accountability).
- Delegation increases speed and motivation, but needs training and clear boundaries.
- Centralisation improves control/consistency; decentralisation improves responsiveness/innovation.
- Tall vs flat affects speed, costs, and employee autonomy.
- Span of control depends on skill level, task complexity, leadership style, and technology.
- Chain of command clarifies accountability but long chains slow responses.
- Bureaucracy helps compliance and fairness but can create red tape.
- Delaying reduces layers (not the same as delegation).
- Matrix shares expertise across projects but can cause role conflict.
- Best structure depends on size, strategy, regulation/risk, culture, and environment change rate.
- To evaluate, always write 'depends on' and explain the conditions for success.

### Common mistakes to avoid

- Listing advantages without linking to the business context and objectives.
- Forgetting the trade-off (control vs flexibility) and failing to evaluate.
- Confusing delaying with delegation.
- Ignoring communication and coordination problems (especially in decentralised and matrix structures).