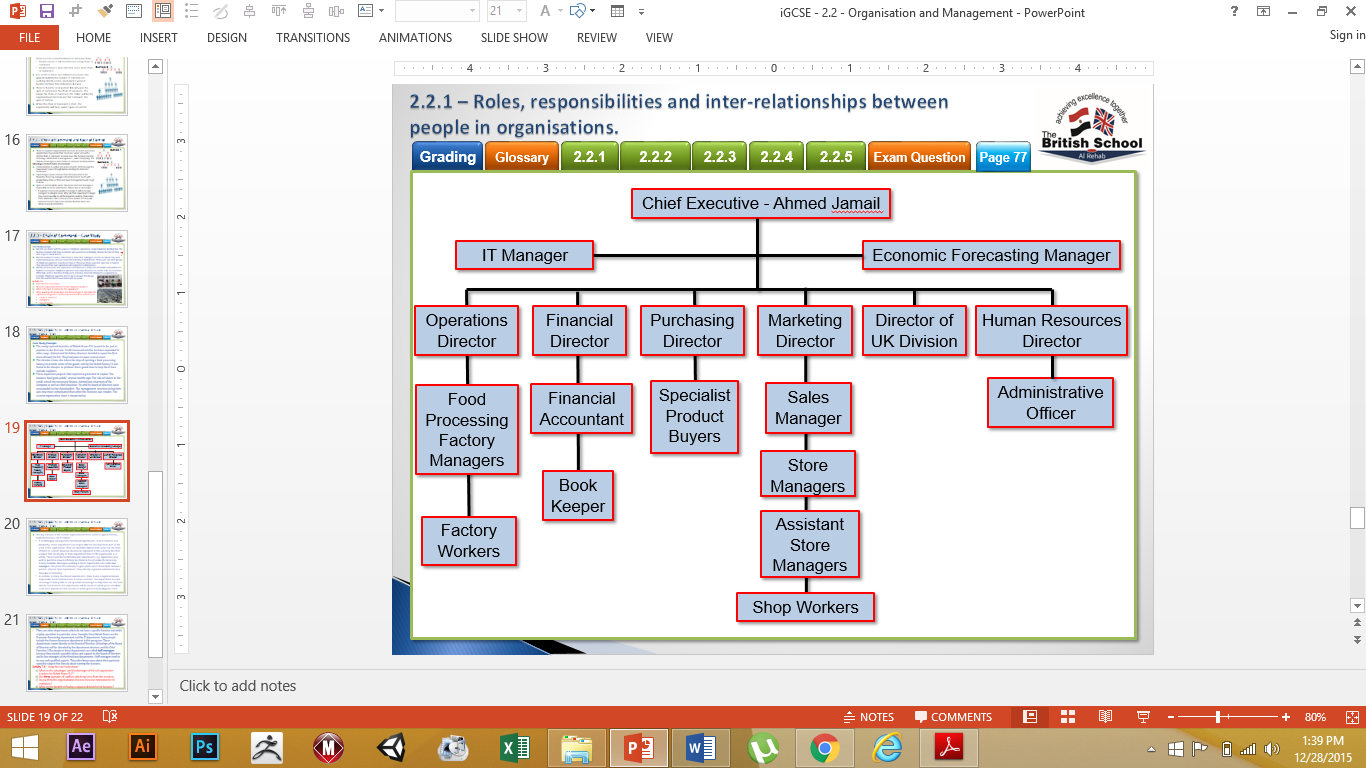
The newly opened branches of Rehab Stores PLC proved to be just as popular as the first one. Profit increased and the business expanded in other ways. Ahmed and his fellow directors decided to open the first store abroad, the UK. They had plans to open several more.

The directors have also taken the step of opening a food processing factory to provide some of the goods sold by the Rehab Stores/ It was found to be cheaper to produce these goods than to buy them from outside suppliers.

These expansion projects had required a great deal of capital. The business had ‘gone public’ several months ago. The sale of shares to the public raised the necessary finance. Ahmed was chairman of the company as well as chief executive. He and his board of directors were accountable to the shareholders. The management structure below him was now more complicated than when the business was smaller. The current organisation chart is shown below.



The key features of the current organisational chart, which is typical of many larger businesses, are as follows:

It is still largely arranged into functional departments, such as Finance and Marketing. These departments are responsible for one important part of the work of the organisation. They use specialist skills in their work and are often efficient as a result. However, businesses organized in this way may find that workers feel more loyalty to their department than to the organisation as a whole, There could be conflict between departments, e.g. Operations may wish to purchase new machinery, but Finance do not make the necessary money available. Managers working in these departments are called **line managers**. They have the authority to give orders and to have their decisions put into effect in their department. They directly supervise subordinates in a clear line of authority.

In addition to these functional departments, there is also a regional division responsible for the Rehab stores in other countries. This department has the advantage of being able to use specialist knowledge to help them run the store abroad. For instance, this department will be aware of which goods are likely to be most popular in each country or which goods may be illegal in some.

There are other departments which do not have a specific function and which employ specialists in particular areas. Examples from Rehab Stores are the Economic Forecasting department and the IT department. Some people include the Human Resources department in this group too. These departments report directly to the Board of Directors. (Meetings of the Board of Directors will be attended by the department directors and the Chief Executive.) The people in these departments are called **staff managers** because they provide specialist advice and support to the Board of Directors and to line managers of the functional departments. Staff managers tend to be very well-qualified experts. They often know more about their particular specialist subject that they do about running the business.

**Activity 7.4** – Using the case study above:

1. What are the advantages and disadvantages of this tall organisation structure for Rehab Stores PLC?

Advantages: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Disadvantages: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [6]

1. Give **three** examples of conflicts which may arise from this structure.

Example 1: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Example 2: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Example 3: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
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1. Do you think this organisational structure increases motivation for its employees? Explain why.

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1. What are the benefits of having a regional division for the business?

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