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# Understanding Organisational Structure and Culture

TESCO
Every little helps

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# Outline

- In this presentation we will be taking look at what organisational structure is and why it is important for businesses to have one.
- We will be taking a look into three different structures- functional, divisional and matrix with some visual chats for better understanding
- Also showing how a big cooperation like tesco applies these structures to maintain their success.

# What is organisational structure?

Organisational structure defines:

- Roles and responsibilities
- Authority and communication shared in a company

- A company's structure promotes efficiency, leadership and overall culture (Robbins and Coulter, 2018).
- Organisational charts are used to represent this framework, showing the hierarchy and communication flows within the business (Johnson, Scholes & Whittington, 2020).

# Tesco’s current structures and its drawbacks

- Tesco currently uses the hierarchical functional structure with a divisional approach.

With this structure it does have its drawbacks like:

- Slow decision making
- Multiple of the same role causing higher costs
- Limited collaboration
- Risk of confusion

With the structure that has been proposed (flat structure, team based structure and outsourced hybrid) this can offer:

- Faster decision making
- cross -functional collaboration avoiding silos
- Lower cost in international operations

# Other structures tesco can use

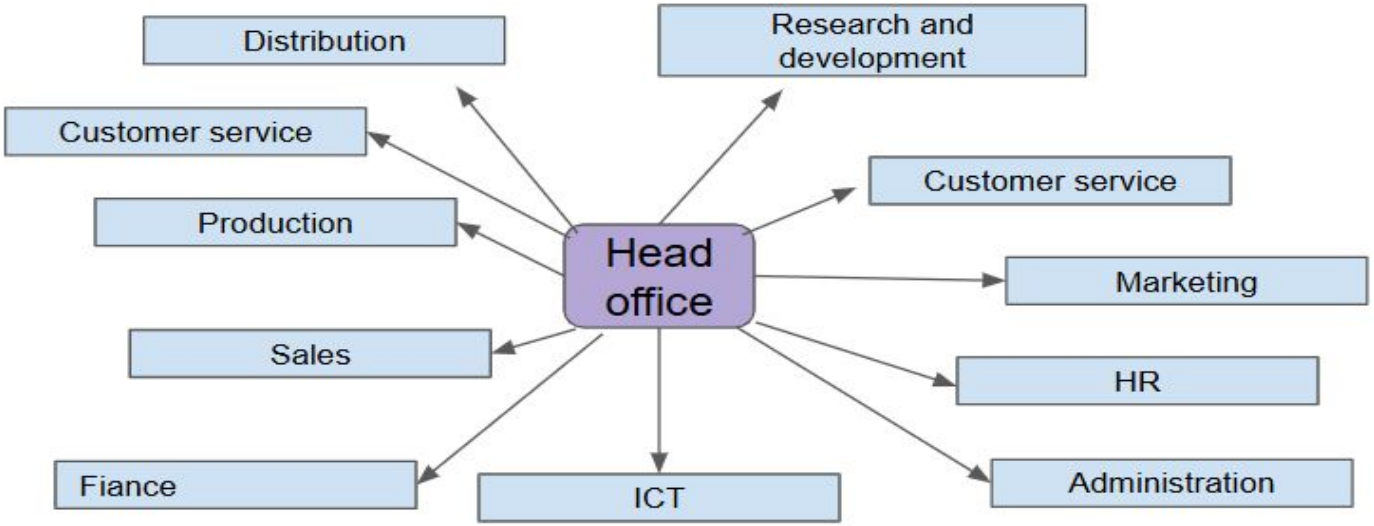
- In order to avoid the disadvantages from the other three structures. Tesco can apply a flat structure which reduces layers of middle management which can potentially speed up decision making.

- Or a team-based structure can be applied so cross-functional teams are used for projects to avoid duplication and gets better innovation

- The last structure that tesco could potentially apply is a outsourcing hybrid structure which is using third party partners in international markets to reduce cost and provides more flexibility.

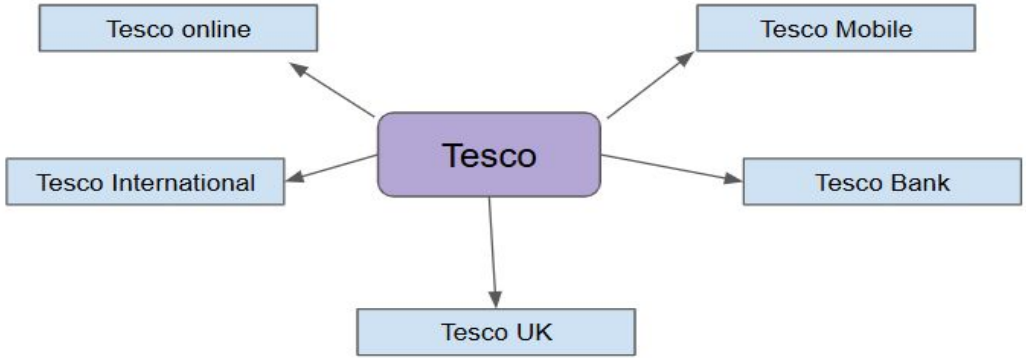
# Functional Structure

- The functional structure groups employees according to their specialist functions, such as Human Resources, Finance, Marketing, Operations, and IT. At Tesco, this is seen in its headquarters, where departments are clearly organised around these business functions (Tesco PLC, 2023).



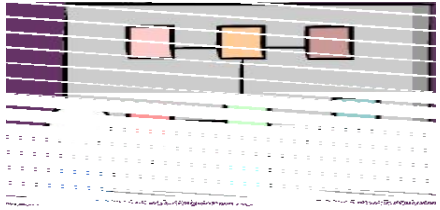
# Divisional structure

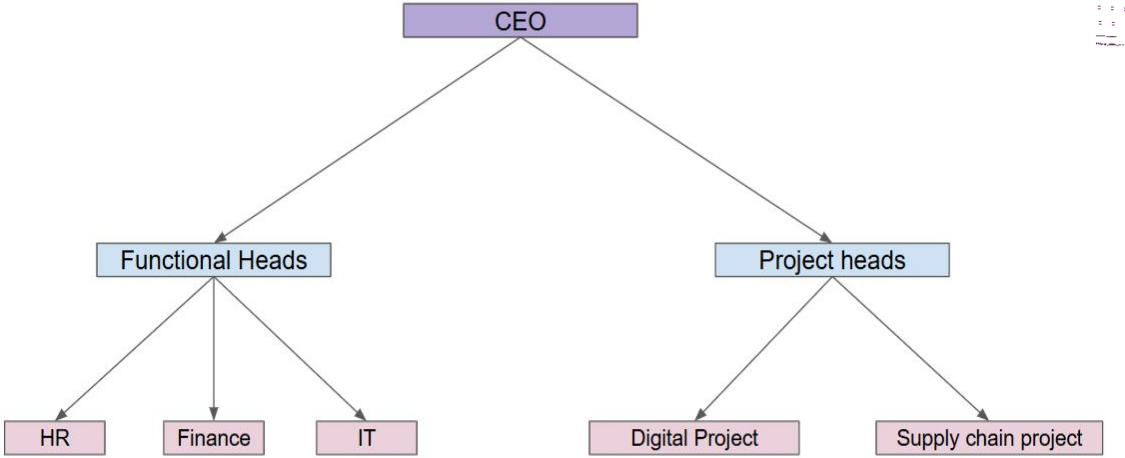
- The divisional structure divides the business into independent units that are organised by products, services, or geographical markets. Tesco gives a clear example of this with different divisions.(Tesco PLC, 2023).



# Matrix Structure

- The matrix structure is a mix of both functional and divisional structure. In this structure, employees work under two reporting lines: one to their functional manager and another to their project or divisional manager.





# Advantages of each structure

A functional structure offers a big company like tesco advantages:

- It promotes specialisation
- Improves operational efficiency and economies of scale in large organisations (Journal of Business Research, 2021).

Divisional structure also has is advantages:

- It creates accountability,
- Allows strategies to be made according to customer needs in different markets or regions (Johnson et al., 2020).

The matrix structure offers important strengths:

- Including better collaboration between departments
- Greater flexibility which creates innovation in complex and different environments (Johnson et al., 2020).

# Disadvantages of each structure

A functional structure can have a disadvantage:

- Isolated from one another, making cross-collaboration hard and decision making slower due to hierarchy (Robbins & Coulter, 2018).

Divisional structure can:

- Cause similar roles across divisions which increases costs
- Cause inconsistencies in practices and policies across different parts of the organisation (Journal of Business Research, 2021).

With the matrix structure:

- employees may face conflict due to dual authority
- slow decision making and confusion (Robbins & Coulter, 2018)

# Conclusion

- Organisational structure plays a vital role in defining communication, authority, and coordination within a company.
- The functional structure promotes efficiency and expertise but can cause slower decision making.
- The divisional structure creates accountability and customer focus but can duplicate resources and increase costs.
- The matrix structure produces innovation and flexibility but can cause complexity and potential conflicts.
- Tesco shows how combining these approaches into a hybrid structure can improve efficiency, responsiveness, and adaptability, providing important lessons for business performance (Tesco PLC, 2023; Journal of Business Research, 2021)

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