

# Challenges to having a hierarchical business structure



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## Introduction

The Idli Group is a Singapore toy manufacturing company founded in 2000, producing a line of brands and products such as dolls and construction set toys. The company obtained huge success in the market and expanded globally into several countries across the world since 2012. As Idli is expanding within England, it is essential to set up a finance department to support the current production and sales division there.

Albeit there being many aspects to consider to ensure the smooth operation within the company, this expansion and crossing of geographical boundaries by the company is lucrative and increases global competitiveness. This report will provide recommendations in two sections in how to manage and establish new finance division in England and provide insights and consideration that has to be made. Firstly, it will cover the management model and organizational structure. Secondly, leadership style and methods for motivation.

## Background

Cultural differences can interfere with the success of company goals in a multicultural global business community. By giving consideration to culture, it enables the firm to increase their efficiency and competitive position (Barney, 1986). According to research conducted by Thomas and Ravlin (1995), imposing rules on members of different cultures to behave like one another is ineffective as each culture has their unique personalities. To avoid cultural misunderstandings and clashes, managers should be culturally

sensitive by selecting suitable management process and motivate staff through flexible leadership.

### Management model and structure

#### Model recommended and reason for choice

The finance division plays a pivotal role managing money of an organisation. There are several departments that oversee different aspects of the company's finance, each department is responsible for a specialized area to ensure smooth operation. Having considered the nature of the division, using Internal Process as the management model seems most appropriate.

According to Weber, internal process is based on the notion that bureaucracy and routine results in stability and control. It is efficient and systematic in organising activity and organised hierarchy are necessary to maintain order and heighten productivity. It aims to fortify responsibility, measurement, documentation and record keeping, therefore an apt model for the finance division.

It is necessary for the division to be bureaucratic, employees are controlled with a clear set of rules and regulations therefore achieving efficiency and sustainability. Handling money is sensitive and requires a high level of accuracy, with strict and standardised procedures set in place, it minimise work errors and increase productivity.

As the company is a large and complex system, internal process easily focused towards formalising explicit goals. In the finance division, there are clear layers of hierarchy structure. Responsibilities of performing core tasks

are usually allocated to heads of departments and distributed to the sub-departments. The of sub-departments then have subordinates who are allocated specific duties that they are expected to perform exhaustively (Refer to Appendix 1). For instance, Billing and collections department ensures all invoices are issued and revenues are accounted for. It is overseen by the Regional Financial Operations Manager who will delegate tasks to the Billing and Collections manager who will then breaks down the task further and distribute them to the other departments he is managing. Similarly, information are relayed upwards into the hierarchy when there is a need to obtain document approval.

Within the departments, job scope of each employee are clearly defined and standardised with specific standard operating procedure for each task to ensure all statements undergo the same process therefore information will be relevant, reliable and consistent. Tasks are broken down which makes it easier to process large amount of data and all correspondence related to financial records are all retained and filed for tax purposes, prepare and file company's annual accounts and Tax Return.

The division of work amongst staff is highly efficient, it allows individual specialists to “ produce more and better work with the same effort” compared to others. (Wren and Bedeian, 2009) Employees are more specialised in their area of work and do not lose time shifting from one activity to another, therefore there are professional titles to the positions in each department of the finance division. This also illustrates impersonality in the workplace, bureaucracy drives results and it is performance based oriented, squashing favouritism. Employees are treated equally and undergo <https://assignbuster.com/challenges-to-having-a-hierarchical-business-structure/>

the standardised procedures and judged according to their skills in order to attain a position.

### Organisational structure recommended and reason for choice

The division will adopt a tall organisational structure as it complements Internal Process. This structure is suitable for Idli Group as many decisions are made at the lower levels and managers will only be concerned with more important decisions. This is effective when the higher level managers only have a handful of managers reporting instead of having multiple employees. A tall structure has many levels of hierarchy and each manager has a small span of control while managing a small and specialised group of people, this assist manager to closely supervise employees and enable them to spend more time on training employees.

Over time, the business will expand in England and the finance division may requires additional support, more staffs will be employed to ensure the smooth operation of the business. The increasing layers of staffs can be added on without disrupting the existing layers and this boosts continuity of the business.

### Considerations

With the presence of bureaucracy and rigid rules, there is clear lines of career progression. It is positive for the British staffs as they believe in fair play reflected by the low score of 35 in Power Distance, compared to 74 in Singapore. However it also reflects their view equality which is lacking in the model. There is an uneven distribution of power on each level of the

hierarchy, staffs on the same level may not be parallel in skills and salary and fewer opportunities to take on responsibilities, as a result it may lead to unmotivated staff.

The hierarchy structure is likely to cause communication distortion as it is subjective to different interpretation at every level. The more level there is the higher the chance of distortion resulting the recipient acquiring wrong message or emphasis. According to Hoslett (1951), people are selective when relaying message, whether to cover up problems, maintain status difference so not to hinder career progression or undermine position as superior.