

# CHAPTER 7 Organizational Structures

## Key Words: Unscramble and Match

**DIRECTIONS:** Unscramble the key words and write them on the lines at the right.

- |                                |          |
|--------------------------------|----------|
| a. getnamamen lanp             | a. _____ |
| b. otp-velle anamsreg          | b. _____ |
| c. litazneamttrioanped         | c. _____ |
| d. zingatinoaorla tarch        | d. _____ |
| e. elin hurattyio              | e. _____ |
| f. arzlectenida taginorazanio  | f. _____ |
| g. liddem aegnrmass            | g. _____ |
| h. edlenetcadrzia rononazgatin | h. _____ |
| i. lerpotanioa agesrman        | i. _____ |

**DIRECTIONS:** Match them to their definitions below.

1. An organization that gives authority to a number of units. \_\_\_\_\_
2. Managers with the greatest responsibility in the company. \_\_\_\_\_
3. A way of organization that subdivides responsibilities by specific units or departments. \_\_\_\_\_
4. An organizational structure in which managers at the top of the line are in charge of those beneath them. \_\_\_\_\_
5. Managers who carry out the decisions of top management. \_\_\_\_\_
6. A business plan that divides a company into different departments run by different managers. \_\_\_\_\_
7. Managers who directly assign duties and oversee workers. \_\_\_\_\_
8. A chart that shows how a business is structured and who is in charge of whom. \_\_\_\_\_
9. An organization that focuses authority in one place, with top management. \_\_\_\_\_

# CHAPTER 7 Organizational Structures

## Key Concepts: Multiple Choice

*DIRECTIONS: Circle the letter for the word or phrase that best completes each sentence.*

1. Any business that employs more than one person needs a \_\_\_\_\_.
  - a. centralized organization
  - b. decentralized organization
  - c. management plan
  - d. middle manager
2. Organizational charts serve to define \_\_\_\_\_.
  - a. what a company produces
  - b. who is in charge of whom
  - c. where the workers' offices will be
  - d. how to create a product
3. "CEO" is a title often used by \_\_\_\_\_.
  - a. top-level managers
  - b. middle managers
  - c. operational managers
  - d. human resource managers
4. A business in which all decisions are made by the head of the company is a \_\_\_\_\_.
  - a. decentralized organization
  - b. partnership
  - c. centralized organization
  - d. departmentalized corporation
5. Managers who run offices in different parts of the country are called \_\_\_\_\_.
  - a. regional managers
  - b. plant managers
  - c. distribution managers
  - d. production managers

# CHAPTER 7 Organizational Structures

## Analytical Skills: Premier Foods

**DIRECTIONS:** Study the following information about the organization of a food company. Then complete the table at the bottom of the page to show how productive the various divisions of the company are.

Premier Foods is a national company with a number of different divisions. Each division produces and sells a different product or group of products. Most of the company's business comes from the sale of milk, yogurt, and cottage cheese. These items are produced in regional plants to serve markets throughout the country. During the past year, sales of these products reached \$900 million.

Ice cream is another important element in Premier's product line. The ice cream division reported sales of \$125 million for the past year. New ice cream products include frozen yogurt and chocolate-covered ice cream bars.

Premier has produced high-quality cheese for more than 100 years. Two years ago, sales in this division were \$40 million. The cheese line includes cheddar, Colby, brick, and Muenster cheeses, which are sold to grocery stores and food processing plants. For many years, the company had to dispose of whey, a by-product of the cheese-making process. However, during the past year the company discovered that it could process whey and sell it to pharmaceutical companies. These sales increased the revenue of the cheese division by \$10 million.

Premier Foods also produced and sold \$200 million worth of canned and frozen vegetables during the past year. These products are marketed under the company's own brand name. They're sold to hospitals, restaurants, and international food merchants. In addition, the company has divisions that sell pickles, relishes, and salad dressing (\$100 million in sales); sauces, puddings, juices and dips (\$60 million in sales); and powdered dairy products (\$70 million in sales).

In order to distribute its products, Premier Foods maintains a large truck fleet. During the past year, the company decided to offer its trucking services to other companies as well. As a result, the trucking department generated revenues of \$40 million from other businesses.

Premier Foods Product Line	Sales in Latest Year	Percent of Sales by Product
Milk, yogurt, cottage cheese		
Ice cream		
Cheese		
Canned and frozen vegetables		
Pickles, relishes, salad dressings		
Sauces, puddings, juices, dips		
Powdered dairy products		
Trucking		
<b>Total Sales</b>		

# CHAPTER 7

## Organizational Structures

### Reading Skills: The Art of Japanese Management

**DIRECTIONS:** Below is an article about the organization of a major company. Read the article, then answer the questions that follow.

The Matsushita Electric Company of Japan is one of the world's largest corporations. Its lines of brand-name electronics include Technics, Panasonic, and Quasar. Konosuke Matsushita, the founder, was working as an apprentice in a bicycle shop when news of Thomas Edison's discoveries reached Japan. Inspired by Edison's work, Matsushita quit his job and began to design and produce electrical items. His first product was an outlet adapter, which he began to sell in 1918. Within ten years, Matsushita was a leader of the new appliance industry.

Matsushita was also an early leader in the move to organize businesses into divisions. The divisional structure, in Matsushita's opinion, had a number of benefits. First: It would be easier to measure the performance of different managers and product lines. Second: Managers would focus more of their attention on consumers, since each division was like a separate company. Third: The independent divisions could be more flexible than the corporation as a whole. Finally, because of their freedom to make decisions, the division managers would develop management skills much more rapidly.

Matsushita realized that decentralization also had a down side. If the divisions became too independent, the corporation could lose its ability to pursue long-term goals. So Matsushita centralized four key functions. He created a centralized accounting system, and a corporate bank that collected profits and made loans to all of the divisions. In addition, he created one personnel office that hired employees for the entire corporation. Finally, Matsushita centralized training for new employees. That way, everyone who worked for Matsushita Corporation could learn its way of doing business.

Adapted from Richard T. Pascale and Anthony G. Athos, *The Art of Japanese Management* (Simon & Schuster, 1981).

1. What inspired Matsushita to start his own business?

---

2. How did Matsushita start out?

---

3. What was Matsushita's first product?

---

4. Where was Matsushita's company after ten years?

---

5. According to Matsushita, what were the four benefits of dividing a corporation into divisions?

---

6. How did centralizing training for new employees benefit the company?

---

# CHAPTER 7

## Organizational Structures

### Writing Skills: Centralized vs. Decentralized

**DIRECTIONS:** Describe the differences between a centralized and a decentralized organization. Which sounds better to you?

---

---

---

---

---

---

---

---

---

---

---

---

### Writing Skills 2: Middle Managers

**DIRECTIONS:** Explain what you think some of the advantages and disadvantages of being a middle manager are.

---

---

---

---

---

---

---

---

---

---

---

---

# CHAPTER 7 Organizational Structures

## Computer Skills: Line Authority

**DIRECTIONS:** *Line authority is a hierarchy in which authority descends from the chief executive officer down through various levels of management. In this exercise, you'll create a pyramid graph to illustrate the various levels of corporate line authority using the information below.*

Top level: Chief Executive Officer (CEO)

2nd level: Senior Managers

3rd level: Mid-level Managers

4th level: Lower-level Managers

5th level: Non-management Employees

1. Start your word processing program.
2. Draw a table with one column and 5 rows. Enter the 5 levels of management in the order above into these rows. Select "no border."
3. Use your drawing tool to place a triangle "autosshape" over the chart. (HINT: You'll need to format the shape so that it will sit behind the text.)
4. Draw lines beneath each of the table rows.
5. After completing your chart, save your work to a new file.
6. Print out a copy of your work if your teacher has instructed you to do so.