

# THE KEY FUNCTIONS OF OPERATING A BUSINESS



## Multiple choice

- |      |       |       |       |
|------|-------|-------|-------|
| 1. A | 6. D  | 11. C | 16. A |
| 2. B | 7. C  | 12. D | 17. C |
| 3. B | 8. D  | 13. A | 18. B |
| 4. C | 9. B  | 14. B | 19. C |
| 5. C | 10. C | 15. D | 20. C |

## Matching terms

The wide range of tasks a business performs to achieve its prime function	<b>Business functions</b>
The main task of a business	<b>The prime function</b>
The organisation of employee responsibilities within a business	<b>Division of labour</b>
The organisation of business functions within a firm	<b>Functional structure</b>
The functional structure where employees are grouped according to similar functions (e.g. sales and maintenance)	<b>Unitary structure</b>
The functional structure whereby employees are grouped by products or services	<b>Multi-divisional structure</b>
The organisational structure where employees are arranged in many units and sub-units, with the delegation of tasks narrowing down the chain	<b>Hierarchical structure</b>
An organisational structure where employees are organised into a small number of key units and the chain of command is short	<b>Flat structure</b>
The number of employees for which a manager is responsible	<b>Span of control</b>
The formal employee structure that determines the flow of information through the various levels of management	<b>Chain of command</b>

# Short answers

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## Question 1

- (a) The value chain for a business relates to the production of the business's good. The value chain is the process whereby value is added to the product at each stage of production as workers and machines alter the product, changing the original inputs into the finished product.
- (b)
  - (i) Here marketing could add value by researching what content the paper should have and how best to actually sell it to customers.
  - (ii) HR can add value by hiring professional and experienced writers to create high quality articles for the paper.
  - (iii) Inventory would here ensure that the required stock of paper was always available to allow for printing.

## Question 2

- (a) Specialisation of labour
- (b) Reason 1: Training costs for the store will be lower as employees need only learn one skill.  
Reason 2: The manager may be frustrated with some workers' skills in particular areas. This allows him to use staff only in the areas where they are efficient.
- (c) Specialisation of labour can be very boring for some employees, as it removes the interest that comes with consistently learning new skills. Workers may also become more concerned that they are easily replaceable and suffer job insecurity.

## Question 3

- (a) A unitary (functional) structure groups workers according to their business function (marketing, sales, service, accounts) resulting in them working across products. A multi-divisional structure groups workers into product groups (here rentals and sales and even further again into, say, business rental or consumer rentals) with each group containing a mix of functional sub-groups.
- (b)
  - (i) Change according to new structure of reporting within product groups, with people most likely reporting to product managers, not functional managers.
  - (ii) New product managers would be established with new spans of control, each involving a mix of functional groups.
- (c) Alicia's business caters for a wide variety of clientele. The fact that they operate across three product lines, and for two different target markets in each line, means that sales and service staff would be handling a large amount of information to cater for any possible clients. The switch proposed would allow sales and service staff to have a greater, more efficient knowledge of their market and maintain better customer relationships. Accounts staff would also benefit from the specialisation of their labour into one product line. Management could also more easily assess the profit and loss areas of the business. Thus the multi-divisional structure is preferred.