

4. (a) Define the term *decentralization*.

[2 marks]

Decentralization is the policy of delegating decision-making authority throughout an organization away from a central authority. Some features of a decentralized organization are fewer tiers to an organizational structure, wider spans of control, and a bottom-to-top flow of decision-affecting ideas.

[2 marks]

Decentralization is accurately and clearly defined.

[1 mark]

There is a less accurate or more limited definition.

(b) Explain how technological change has affected the way that global businesses operate.

[8 marks]

Technological change has affected the traditional structures and operations of business. The concept of employees commuting daily to an office has been replaced by what is referred to as the “mobile” employee in the stimulus. These employees may work from home, business centres or hotels and/or whilst travelling, using a range of technologies such as laptops and mobile phones to communicate with their head office and access relevant information. The use of spreadsheets, data and word processing has facilitated the mobile office and the production of professional documentation without central support.

The workforce is now more flexible. Project teams may consist of part-time and peripheral staff from various parts of the world and hours may be more convenient to employers and employees. Firms may also cut costs as they no longer maintain large corporate headquarters and virtual meetings can be held.

Firms have been able to flatten structures and hierarchies as information is available more readily. This has led to retrenchment of staff, as activities not considered core are outsourced to organizations around the world. New technologies have also allowed firms to create global alliances and supply chains with other companies. Responsibilities of senior staff may increase with larger spans of control.

New technologies have also allowed more automated functions, such as production utilising CAD/CAM and other automation such as robotics.

Technological change may be referenced to: staff (*e.g.* downsizing of the workforce), machinery (*e.g.* automation), marketing (*e.g.* e-commerce), money (*e.g.* a change in the cost structure) and methods (*e.g.* delayering).

**N.B.** The question is very theoretical and does not ask for specific reference and application to *IBM* and *Motorola*. It is expected that the candidates use some examples from the case and apply to a global firm.

Candidates can reach the top band if **three** issues are covered and their response fits the top descriptor.

<b>Explanation</b>	<b>7 to 8 marks</b>	<p><i>The response exhibits a clear, detailed explanation of at least three relevant issue(s) and demonstrates a thorough understanding of the topic.</i></p> <p><i>There is an appropriate use of the <b>relevant</b> business terminology throughout the response.</i></p> <p><i>Relevant examples from the stimulus material are given to support explanations within the response.</i></p>
	<b>4 to 6 marks</b>	<p><i>The response exhibits a clear, detailed explanation of less than three relevant issue(s) and demonstrates a thorough understanding of the topic.</i></p> <p><i>The response exhibits a reasonable explanation that demonstrates some understanding of the topic.</i></p> <p><i>There is some use of business terminology throughout the response.</i></p> <p><i>Some relevant examples from the stimulus material are given to support explanations.</i></p> <p style="text-align: center;"><i>At the bottom of the band, the answer may be descriptive and lack some detail.</i></p>
	<b>1 to 3 marks</b>	<p><i>The response is purely descriptive and demonstrates a limited understanding of the topic.</i></p> <p><i>There is little or no use of business terminology.</i></p> <p><i>There are few, if any, relevant examples from the stimulus material to support any explanations.</i></p> <p><i>If no reference is made to the stimulus material award up to [2 marks].</i></p>
	<b>0</b>	<p><i>The standard of work does not reach the standard required for [1 mark].</i></p>

- (c) **Evaluate the suitability of traditional organizational structures for advanced technology firms such as *IBM* and *Motorola*.**

**[10 marks]**

This question allows candidates to provide a range of potential answers. Suggestions below are not comprehensive, but candidates do need to address key elements of the question and focus on new technology firms such as *IBM* and *Motorola*.

Traditional line organizations have an authority relationship where one person (a manager) has direct responsibility for the activities of another person (the subordinate). Traditionally, firms are normally divided by function into departments. Each department has a clear chain of command from top to bottom. Hierarchies are often tall; narrow spans of control support a more autocratic style of management and leadership. Departments may become relatively insular and departmental rivalries may develop, which do not enhance the pursuit of company objectives. Staff have a clear idea of their role, of accountabilities and of the chain of command.

Line organizations may be bureaucratic as they are highly regulated and decision making, as a result, may be slow. There may also be some duplication of activities, which will reduce efficiency. This structure, culture and management style is likely to prevent creativity, innovation and responsiveness to ever changing external factors.

Modern technology firms such as *IBM* and *Motorola* operate in a dynamic, highly competitive global environment where being first to market is extremely important. These markets may be cost driven, and this type of organization will be seeking cost savings wherever possible. The autocratic management is not well suited to this type of environment, where there is a culture of highly motivated staff driven by targets on sales and high rewards for success. Organizations like *IBM* and *Motorola* need empowered, highly skilled, creative, motivated and innovative employees who will not flourish under an old fashioned structure and culture.

Providing staff with independence may be crucial, and local conditions may underpin demand patterns, which may differ markedly world-wide. Providing decentralized operations, often with a matrix organization, appears to suit these markets. However, as the stimulus suggests, there are issues of control when firms flatten hierarchies and widen spans of control; *Motorola* was forced to return to a more centralized approach, as the firm lost focus. Matrix structures may cause confusion and interfere with the unity of command. The overall philosophy and corporate aims and objectives may not be well communicated within a decentralized structure.

The answer is not a straight forward one. While the traditional organizational structure is highly likely to be unsuitable for *IBM* and *Motorola*, the most suitable structure will depend on many variables including the management and corporate history, traditions and current culture. It is unlikely that many technology companies will retain a very formal, hierarchical line structure.

<p><b>Opinion (discuss, evaluate, justify, recommend and to what extent)</b></p>	<p><b>8 to 10 marks</b></p>	<p><i>The response exhibits a detailed and balanced (at least two argument in favour and at least two against) analysis/examination and uses appropriate subject terminology. Any opinions, conclusions and/or judgments are well supported/substantiated.</i></p> <p><i>There is a good knowledge and/or understanding of Business issues and concepts.</i></p> <p><i>The response is consistently and explicitly linked to the information in the stimulus material</i></p> <p style="padding-left: 40px;"><i>At the top end of the band critical, reflective thinking is evident.</i></p> <p style="padding-left: 40px;"><i>At the bottom end of the band opinions, conclusions and/or judgments may be more tentative.</i></p>
	<p><b>4 to 7 marks</b></p>	<p><i>The response exhibits a detailed and balanced (at least one argument in favour and at least one against) analysis/examination and uses appropriate subject terminology. The response exhibits a reasonable analysis/examination and uses appropriate subject terminology. Any opinions, conclusions and/or judgments have limited support.</i></p> <p><i>There is some, or inconsistent, use of Business terms.</i></p> <p><i>There is some knowledge and/or understanding of Business issues and concepts.</i></p> <p><i>The response may be implicitly or inconsistently linked to the information in the stimulus material.</i></p> <p style="padding-left: 40px;"><i>At the top end of the band the analysis/examination within the response is generally balanced and explicitly linked to the information in the stimulus material.</i></p> <p style="padding-left: 40px;"><i>At the lower end of the band the response may lack depth, be unbalanced or tend to be descriptive. There may be also implicit links to the information in the stimulus.</i></p>
	<p><b>1 to 3 marks</b></p>	<p><i>A purely descriptive response with very little knowledge and understanding of Business concepts and/or very little use of Business terms.</i></p> <p><i>Any opinions, conclusions and/or judgments are not supported.</i></p> <p><i>Little or no reference is made to the information in the stimulus material.</i></p> <p><i>The response may be no more than a list.</i></p>
	<p><b>0</b></p>	<p><i>The standard of work does not reach the standard required for [1 mark].</i></p>