

Functional Structure



- ❖ This organization structure is formed on the basis of different functions or work to be done in the enterprise.
- ❖ Grouping of jobs of similar nature under functions and organizing these major functions as separate departments creates a functional structure.
- ❖ All departments report to a coordinating head.
- ❖ For example, in a manufacturing concern division of work into key functions will include production, purchase, marketing, accounts and personnel.
- ❖ These departments may be further divided into sections.
- ❖ Thus, a functional structure is an organisational design that groups similar or related jobs together.



Functional Structure

Managing Director

**Human
Resources**

Purchasing

**Marketing
Research and
Development**

ADVANTAGES OF FUNCTIONAL STRUCTURES

01

Specialization – leads to occupational specialisation since emphasis is placed on specific functions. This promotes efficiency in utilisation of manpower as employees perform similar tasks within a department and are able to improve performance.

02

Better control and coordination – It promotes control and coordination within a department because of similarity in the tasks being performed.

03

Increased profit – It helps in increasing managerial and operational efficiency and this result in increased profit.

04

Cost reduction – It leads to minimal duplication of effort which results in economies of scale and this lowers cost.

05

Training becomes easier – It makes training of employees easier as the focus is only on a limited range of skills.

06

Due attention – It ensures that different functions get due attention.

DISADVANTAGES OF FUNCTIONAL STRUCTURE

01

Less emphasis on overall enterprise - objectives than the objectives pursued by a functional head. – Results in **-functional empires** wherein the importance of a particular function may be overemphasised. Pursuing departmental interests at the cost of organizational interests can also hinder the interaction between two or more departments.

02

Lead to **problems in coordination** as information has to be exchanged across functionally differentiated departments.

DISADVANTAGES OF FUNCTIONAL STRUCTURE

03

A **conflict of interests** may arise when the interests of two or more departments are not compatible. For example, the sales department insisting on a customer friendly design may cause difficulties in production. **Interdepartmental conflicts** can also arise in the absence of clear separation of responsibility.

04

It may lead to **inflexibility** as people with same skills and knowledge base may develop a narrow perspective and thus, have difficulty in appreciating any other point of view. Functional heads **do not get training for top management positions** because they are unable to gather experience in diverse areas.

