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## Functional structure organization example

The most common structure found within organizations, functional structure consists of units or departmental groups identified by specialty, such as engineering, development, marketing, finance, sales or human resources that are controlled from the top level of management. This differs from a divisional or product structure, which typically distinguishes its units by product type or geographical region and allows leaders within each unit more control. The functional structure was designed on the concept that high specialization and high control yields high efficiency. Though titles vary depending on the organization, each unit in a functional structure includes employees who are trained to perform specialized tasks. The top tier of a functional structure may be a company president. The second tier may be comprised of several vice presidents, each positioned in an area of expertise, such as vice president of manufacturing or vice president of sales and marketing. Below each vice president may be one or more directors with abilities in the same specialized area as that particular vice president. The directors might be followed by managers, and the managers followed by assistant managers, all possessing skills in the same area as those preceding them. To exercise control and operate with high levels of efficiency, the leaders of each unit within a functional structure need in-depth knowledge and experience in their specialized area. This type of structure is often found in environments where unit leaders possess a high level of technical knowledge in their given field, as well as in organizations where leaders serve as mentors to younger staff members. Competency in their field and solid management skills are key attributes in establishing and maintaining the tight, proficiency-oriented track of a functional structure. One of the major advantages of this type of infrastructure is that it develops specialists by promoting career advancement. Career paths are clearly defined, and because aptitude, talent and knowledge for specialized functions and particular roles are merged into sub-categories within the company, employees have the opportunity to learn from the expertise of their superiors. They also have the opportunity to work alongside colleagues who relate to their professional interests and abilities, thus making for a more productive and enjoyable work environment. Because each unit in a functional structure is focused on its own area of specialty, it might be lacking a broad view of the company if there isn't consistent integration of and communication between departments. Another disadvantage is that units may have limited flexibility in problem-solving, making changes or responding quickly to customer demands or needs since the final decision-making authority rests with the top level of management. This is in contrast to divisional or product structures where unit leaders are given more control within their unit's environment. The larger the organization, the more challenging it is for each specialized group to clarify how individual departments ultimately connect and contribute to the business succeeding as a unified company. For this reason, the functional structure is most successful in organizations that are small to medium in size and only deal with a few product types and services. Want a simple way to organize your small business? Try a functional organizational structure. A functional organizational structure is the most straightforward and common organizational structure for small- to medium-sized businesses. It works best for companies that have one or just a few product lines. Grouping employees by function or specialization is a simple organizational method to use when starting a business. A functional organizational structure groups employees together based on their functions or roles and areas of specialization. Typical departments are marketing, human resources, finance, engineering, sales and customer service. Departments in a functional structure are often called "silos" because they work independently from each other. The employees communicate exclusively with others in their group and report to a department head. Department heads communicate with their peers in other departments. Managers of departments report directly to top management or the CEO. This type of organizational structure works best in a stable environment with few changes where job tasks are standardized and continuous. Consider the functional organizational structure advantages and disadvantages: Specialization and efficiency: Employees achieve a high level of specialization. Grouping employees with similar skills increases efficiency and results in higher-quality work output. By executing standardized tasks repeatedly, workers become more skilled and productive. Training and promotions: The path for growth is clear with well-defined objectives for receiving promotions. Since the tasks are usually standardized, training new employees is easier and quicker. Accountability: Employees have a clear chain of accountability by reporting to a single department head, not multiple supervisors from other divisions. : Silo effect on decision making: The silo effect leads to poor communication across functions since employees don't communicate and aren't accountable to each other. The structural bureaucracy slows down decision making. Everything must go up the chain to top management and then back down to the employees taking action on the decisions. Lack of cooperation: Because each department operates separately, employees can become territorial, excessively loyal to their own department and unwilling to cooperate with other departments. Growth: Functional models have difficulty adapting to the increased diversification that results from growth. Top management must assume the responsibility of coordinating and integrating the work of the various functional departments. : Sales: Eight salespeople are divided by geographically defined regions. Marketing: The marketing department has seven employees who are constantly monitoring consumer buying habits and competitors' promotional campaigns. Accounting and finance: Seven employees are in charge of sending invoices to customers and making payments for overhead expenses and supplies. One employee handles bank account reconciliations. Office: The administrative staff has 11 employees with an office manager, a receptionist, a customer service person and several people in charge of correspondence and filing. Production: Manufacturing uses 36 employees to handle the purchases of raw materials, production operations, warehousing and delivery of the products to customers. Research: The research staff has six employees working on improvements for Swifty Feet. Human resources: With 82 employees, the company needs seven employees in the human resources department to handle employment issues such as: recruiting hiring performance reviews benefits payroll insurance matters The organizational structure for Hasty Hare is considered "flat" because the seven department heads report directly to the president. This reporting chain of command will change as the company grows and adds more specialized departments. However, the president can only handle a certain number of people reporting to him without getting overloaded. At some point, the president will have to start relinquishing authority and delegating responsibility to other managers. When that happens, the organizational chart will become taller, with fewer department heads reporting to the president and other top management officers. A functional organizational structure is a logical starting point for most small businesses. It is simple to implement and easy to manage. Its limitations are the difficulty in adapting to growth and additions of new territories or product lines. A functional organizational chart will define the span of control and expose any limitations. process flow image by Christopher Hall from Fotolia.com By: Linda Zukauskas Updated September 26, 2017 A parallel organization differs from a traditional, hierarchical organization in that it actively solicits employee input. It's possible -- and sometimes advantageous -- to blend a bureaucratic structure with a parallel structure. For example, a subset of employees can act as a parallel structure to develop solutions to specific problems without changing the overall organizational structure. A parallel organization encourages employee involvement and fosters the idea that everyone is a stakeholder in the business. Managers share information with employees and employees share their intimate knowledge of the business at the detail level to demystify processes and suggest efficiencies. Managers promise to listen and implement suggestions where feasible. Teams in a parallel organization consist of members from different job functions. Each member provides a unique contribution and represents the interests and input from their departments. The result can be greater than the sum of its parts. At a higher level, a steering committee, composed of high-level managers, develops a vision for the organization and the implementation of attainable goals. It can also act as the link between a parallel organization and the formal organization. The actual work of a parallel organization happens in forums where the teams address specific problems. A formal training process can help the team understand its role and provide the group with problem solving tools to help brainstorm ideas and build consensus. While running your small business, you are tasked with ensuring that your team achieves your organizational objectives. In order to make that happen, it's critical that your employees have the support, skills and resources they need to do their jobs. Organization as a management function involves arranging your employees, finances and technology in such a way that your business can meet its objectives. There are several theories on the aspects of management, which define what different functions make up the leadership role. While the functions are organized differently for each theory, they can be summed up in five common elements: Planning: A critical managerial function, this involves creating a framework, strategy and detailed plan for how to achieve an organizational objective. It's an ongoing task that needs to be reviewed and completed on a regular basis, such as every month or quarter. For example, one of your organizational objectives may be to improve profitability by 10%. In order to do that, the plan may include ways to decrease cost per customer acquisition by initiating a loyalty program and switching suppliers to one that can provide more favorable rates. Organizing: This function oversees how the company functions on a granular level with day-to-day tasks. In order to do this, managers need to bring together human, financial and technological resources in order to achieve the company's goals. By ensuring efficiency and structure, organizing helps employees to do their jobs more effectively. For example, if one of the company's objectives is to run a multi-tiered marketing campaign, the manager would need to ensure that the marketing department has the budget it needs to execute the campaign and the authority, skills and expertise it needs to see it through. Staffing: Closely related to organizing, this function ensures that the right people are in the right positions and that the company has the right amount of employees. For example, if Mark is a strong accountant, then making him head of marketing may be a mistake because that's not where his strengths lie. This function is often seen as a part of organizing. Directing or leading: This function ensures that employees have the motivation and inspiration they need to do their jobs in a productive manner. It may involve meeting with employees on a regular basis to discuss day-to-day processes and getting their feedback on elements that can be improved. Controlling: This function is about making sure that the company is on track to reach its objectives without any deviation. It involves reviewing key performance indicators (KPIs) on a regular basis and making changes in the plan as necessary to ensure the company hits its milestones. Organization provides structure to a business by ensuring that the appropriate resources are in place to best help the company achieve its goals. Resources can vary, from financial budgets to technical solutions to employees. It's about providing the company with the support and structure it needs to execute its plans and meet its targets. Some of the critical elements of organizing as a management function include: Well-defined roles: In order for employees to work effectively, they need to have a clear understanding of their job and the outcomes they need to achieve. Managers need to outline the expectations of each role. Clarified organizational structure: In many organizations, the hierarchy of the team is a vital element that contributes to productivity. When employees know who is in charge, they are able to seek guidance to overcome their obstacles. Strong budget administration: A vital part of organizing is to properly allocate the budget so employees have the resources they need to complete their tasks. Technical proficiency: In almost every industry, technology plays a lead role. Whether it's a new software to manage projects or a piece of warehouse equipment to reduce injuries, managers need to provide their teams with the support systems they need to succeed. Goal setting and communication: In order to bring the team together, it's vital for managers to communicate the goals they are trying to achieve individually and as a team. For example, if a bakery is trying to increase its sales, each employee has a role to play in achieving that goal. The cashier has to check out the customers, the bakers have to produce the product and the customer service representative has to showcase the product and entice customers to make a purchase. These notes on organizing in management can help company leaders to ensure they are effectively providing their teams with the support that is necessary to meet the key performance indicators. If a manager fails in one area of the organizing function, the teams may not be able to do their tasks as effectively, and as a result, the company may fall behind on its goals. There are four key steps in the organizing function of management. Managers need to: Identify and divide the tasks: This involves clarifying the different roles, processes and activities that are required to achieve the goals. Dividing the work into smaller units helps create tasks for each individual team or employee. Activities may include greeting customers and answering questions, cashing out customers and stocking shelves. Assign resources: Once the tasks are defined, it's time to assign them to individual employees and teams and provide those people with the financial or technological support they need to execute those tasks. For example, all tasks related to advertising and promotions can be assigned to marketing employees, whereas all tasks related to storing and shipping products can be assigned to the warehouse team. Create responsibility and authority: It's vital for employees to know who is leading them. This may involve assigning a team leader or middle manager to ensure that all the tasks are completed. The manager doesn't need to hold all authority himself. He can delegate authority to other senior employees. For example, one of the customer service representatives can be promoted to team leader, holding the responsibility of ensuring that the others complete their tasks. Coordinate responsibility and authority: This is a key step in managerial organization, ensuring that all of the functions are aligned within the company. Managers need to communicate who has authority and responsibility for the major directives throughout the organization. For example, if two employees in different departments are in charge of improving customer satisfaction, they need to work together with their teams. Managers may also need to coordinate with other managers who are at the same level or higher in the hierarchy to ensure that there are no conflicts and that goals are aligned. There are several principles of organization as a management function. Businesses can select one or more to develop the organizational structure that meets their needs. For example, the specialization principle is about dividing work based on skill and quality of work. On the other hand, the functional principle is about dividing work based on the major roles of each department. For example, any accounting tasks should be designated to the accounting department. The span of control principle looks at the number of employees who can be overseen by a single manager. In a narrow span of control, the manager doesn't control many people. This is useful for teams where the subordinates have their own areas of expertise, such as trades or crafts. In a wide span of control, the manager oversees a large group of employees, resulting in less overhead and better coordination. The unity of command principle is about improving communication and using resources effectively. One subordinate reports to one manager at a time, so there is a linear chain of command.

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