

Functional Departments

When a business has a traditional hierarchical structure, it will be typically structured by functional departments, i.e. **departments with clearly defined roles and responsibilities**. This helps with:

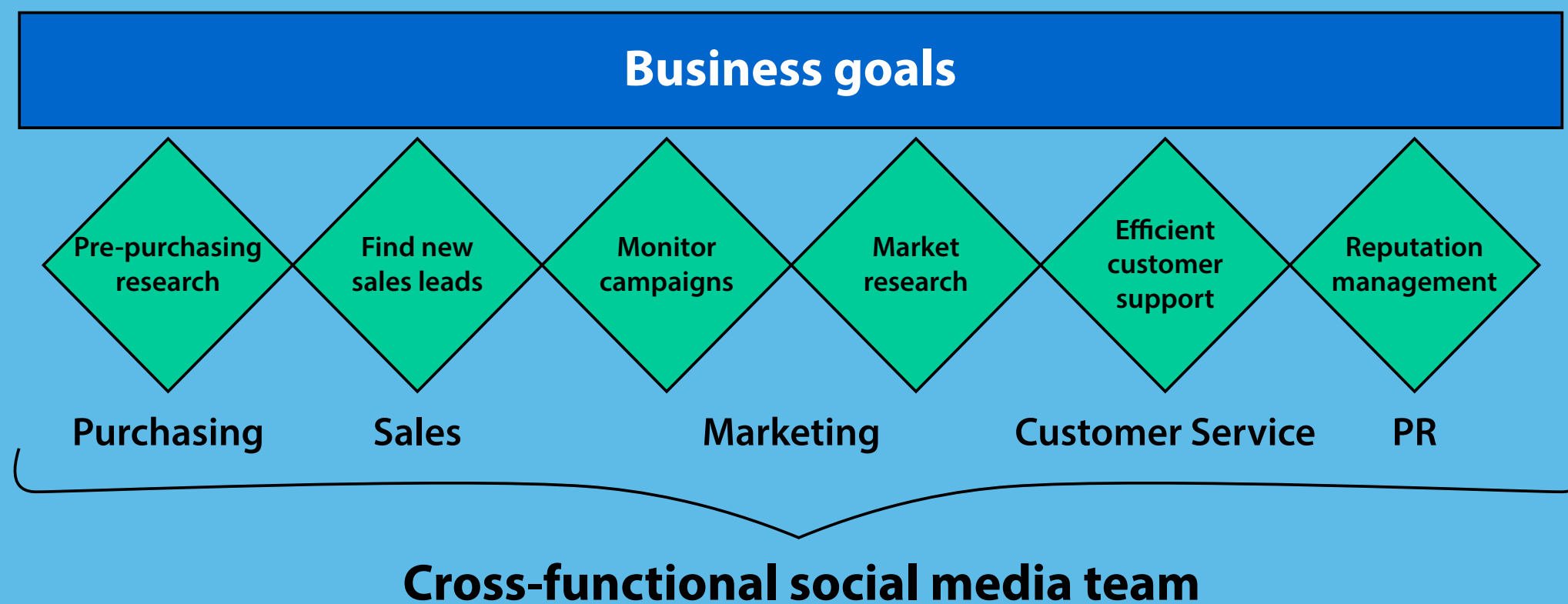
- **communication**, as people know who to speak to if a problem arises
- **workers understanding their roles** and how the business works, setting out the responsibilities of each part of the business.

In most large companies, the functional areas are as follows:

- **marketing** (sales and marketing)
- **human resources** (personnel)
- **finance** (accounts)
- **operations** (production).

Although departments are separate from each other, their roles are connected:

- the human resources department is responsible for making sure that the other departments have enough workers with the right skills
- the finance department ensures that there is money available to carry out activities across all departments
- marketing works with production by providing information about the products that customers want
- purchasing has the job of making sure that there are enough materials for production to manufacture.



Functional Objectives

These are the goals of each of the functional departments and, if a business is to be successful, then these objectives must be closely tied to the corporate objectives.

For example, if the marketing department sets itself a goal of achieving 10% more sales over the next year, whilst the human resources department is seeking to reduce staffing by 5% across the company in the same period, then they are likely to be working against each other.

Goals must be **carefully coordinated** to ensure that they are consistent with the corporate objectives – in other words, all departments are working together to achieve the same overall objectives of the organisation.

For example, in a car manufacturing business, operations management is likely to employ the majority of the workforce. Nonetheless, the other functional departments are essential to the success of the business. No matter how efficiently the production line is run, there is no point in producing thousands of cars per week if the sales and marketing department have not persuaded enough potential customers to purchase them.

All functional departments **must work in conjunction with one another in order** to achieve a common set of objectives set out in the corporate plan.

