

Chapter 1

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 division into functional departments helps with communication as people know who to speak to if a problem arises. It also helps workers understand their roles and how the business works, setting out the responsibilities of each part of the business.

Although departments are separate from each other, their roles are connected. For example, 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, whilst purchasing has the job of making sure that there are enough materials for production to manufacture.

In most large companies the functional areas are as follows:

- Marketing (Sales and Marketing);
- Human Resources (Personnel);
- Finance (Accounts);
- Operations (Production).

They may vary in name but essentially they carry out the same functions. Depending on the type of business, there may be a range of other functional departments which specialise in performing a particular type of task. Typical examples are:

- Legal Department;
- Transport Department;
- Purchasing Department;
- Design Department;
- Technical Department.

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.

Depending on the nature of the organisation in question, some departments are likely to be much larger than others. 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.

Discussion themes

What is the purpose of the marketing department in a business?

Explain the main functions of the finance and human resource departments in a large business.

Why would the operations function differ for different types of business?

'Business functions have to work together to achieve the business objectives.' Using examples, explain this statement.

'The most important business function is marketing.' To what extent do you agree?