

# Functional organizational structure: Everything You Need To Know

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Although there are many other forms of organisational structures available, in recent years, there has been a trend among many companies, particularly "modern" start-up enterprises, to choose alternative structures that better suit their operational demands and represent their beliefs. The most prevalent of the three organisational structures most businesses use is a functional organisational structure. Employees in companies structured by function are grouped according to their activities inside the company.

## What is a functional organizational structure?

A [functional organisational structure](#) is a corporate structure that organises individuals according to their expertise, skill, or related roles. It is organised into layers of hierarchy that encompass several departments and are led by authorised leaders. Businesses typically utilise functional structures because it groups individuals with a comparable knowledge and, when used in a team setting, helps organisations achieve their goals.

It is a sort of organisational structure in which the organisation is divided into smaller units based on specific functional areas such as information technology, finance, human resources, or marketing.

Because individuals with similar abilities and expertise are placed together by function, functional departmentalisation may allow for higher operational efficiency. One problem with this arrangement is that the many functional groups may not interact, thereby reducing flexibility and creativity. A new trend aimed at overcoming this disadvantage is the formation of cross-functional teams.

Some people refer to these functional regions as "silos. Similarly, the company's senior management team is often composed of numerous functional heads (such as the chief financial officer and the chief operating officer). Communication takes place inside each functional department and is relayed across departments by the department leaders.

Organisations with extensive operations tend to utilise functional organisational structures. The

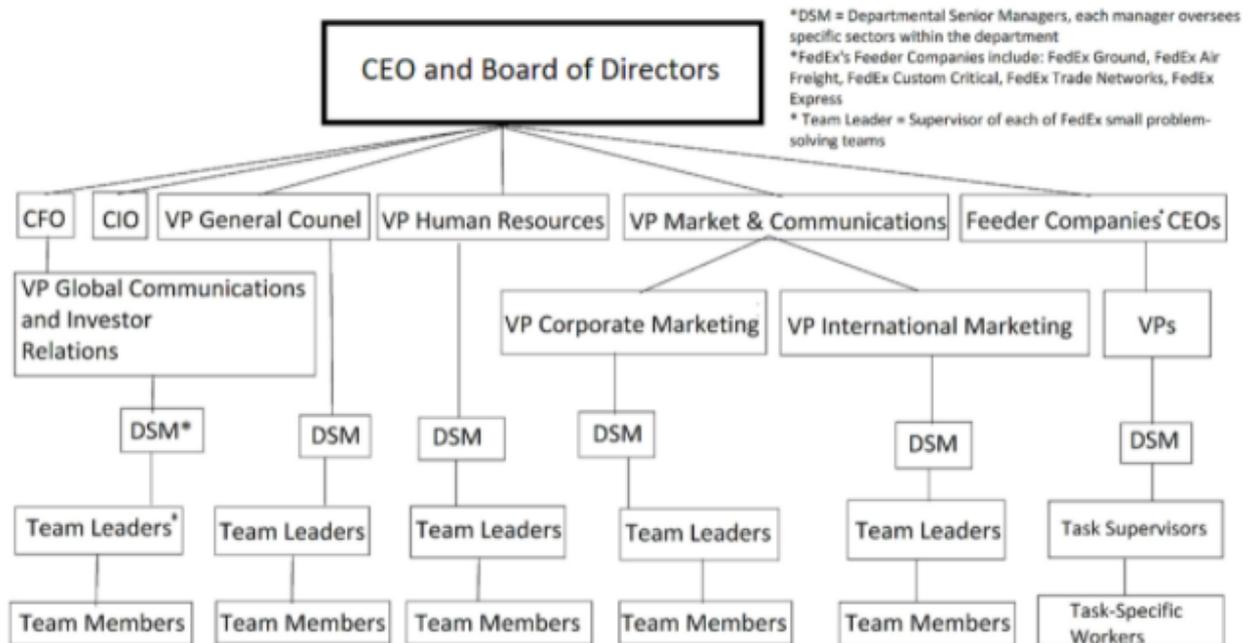
functional organisational structure connects individuals with comparable and complementary knowledge and abilities. It also helps employees achieve their goals and work together more cohesively.

Typically, functional organisations are divided into expert skill areas like product development, sales, marketing, etc. They can also be divided into categories based on distinct goods, services, and locations, as Amazon and Disney have done. These parts are known as "silos" because they operate independently and have their management structures.

## **Features of Functional Organisation**

1. The organisation's entire work is separated into several functions.
2. An expert performs each function.
3. The functional head controls his function's actions throughout the organisation.
4. Functional heads have a great deal of autonomy.

## **Functional Organisational Structure Example**



**Functional structure at FedEx:** This organizational chart shows a broad functional structure at FedEx. Each different functions (e.g., HR, finance, marketing) is managed from the top down via functional heads (the CFO, the CIO, various VPs, etc.).

Figure 1:Source(lumen learning)

## Benefits of a Functional Structure

There are many [advantages](#) of functional organisational structures, and these are explored below:

### Better efficiency

Because individuals with common abilities and expertise are grouped by duties performed, functional departments may increase operational efficiency. As a result, each group of specialists may work autonomously, with management serving as the point of contact between functional areas. This configuration allows for more specialisation.

### Specialisation

The most apparent benefit of a functional organisation is that grouping people by speciality assures consistent departmental expertise. This is especially true in large businesses with many functional levels within a department — for example, a specific tech group that follows up on tech issues not handled by the primary telephone tech support group.

## **Speed of Operation**

Another advantage of this type of organisational specialisation is operational speed. In general, a senior tech will resolve a support issue faster than someone with less expertise. They're also likely to train new employees more quickly.

## **Clarity in Operations**

Segregating the workforce based on function clarifies organisational accountability and job distribution. This reduces assignment duplication, which wastes time and effort, and makes it simpler for management to send work to appropriate staff.

## **Workload production**

It lightens the load on the senior executives. In the company, there is focused supervision, and each function in charge is only responsible for its functional area.

## **Professional Development for Executives**

A functional manager must be an expert in only one function. Better executive development is facilitated as a result of this.

## **Expansion's Scope**

It provides more room for growth than a line organisation. It does not have the problem of a few line managers having limited competencies.

## **Better Control**

The functional managers' specialised knowledge enables improved control and oversight in the enterprise.

## **Disadvantages of Functional Organisational Structures**

### **Segregation**

Teams become siloed when departments are inhabited by people who specialise in certain job areas. Employees in separate teams do not have the chance to interact and share opinions, which can be detrimental to the business's long-term success.

### **Weakening of Common Bonds**

A shared organisational purpose boosts employee morale and performance and is a key predictor of organisational success. When each group of experts in a functional organisation is largely isolated, the common link that highlights a single overall organisational objective is nearly always weaker than in an organisation where diverse personnel work closely regularly.

### **Lack of Coordination**

In an ideal functional organisation, each functional group's activities would require no input from other functional groups; nevertheless, this is not often the case. As communication becomes more prevalent in businesses, isolated groups may underperform or even fail because they lack an institutionally recognised method of expressing requirements and difficulties to other functional groups that may have assisted.

Managers from other functional groups may not reply constructively or promptly in some cases because "it's not our problem." The period when collaboration would have been most successful may have gone by the time the necessity for cooperation has been identified.

### **Territorial Conflicts**

Another downside of a functional organisation is the likelihood of territorial conflicts, which is strongly tied to the failure of functional groups to cooperate. These arguments might be over objectives, budgetary competitiveness, or any number of other difficulties that arise from a clash of egos that occurs when each department has its separate functional organisation or when there is a lack of a strong sense of a single purpose.

### **Complexity**

Because of its varied intricacies, the functioning of the functional organisational structure is complicated to understand. Workers are taken aback by a slew of directives from various functional heads.

## **Perspective Is Limited**

A functional manager tends to set boundaries around himself and focuses primarily on their department rather than the entire organisation.

## **Decision-Making Delay**

There is a widespread lack of coordination among the functional executives, which causes decision-making to be delayed.

Companies should make decisions based on what is most urgently needed. Working with other areas may result in unhealthy rivalry for the functional organisation. There may be a misunderstanding about how important some specifics are to the organisation. In one case, the marketing department may make a request that is not prioritised to address the worries of the sales department by hiring additional workers.

An organisation's organisational structure integrates and connects its many components to work at its best. The chosen structure impacts an organisation's ability to achieve its strategy and objectives. To aid in achieving strategic alignment, leadership should be aware of various organisational structures' characteristics, benefits, and limits. I hope this article has shown you everything you need to know about functional organisational structures.

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