

Functional Organization Structure

Introduction

Every organization has a structure, either formal or informal. Newer and smaller companies usually have a less formal structure. As the company grows, the structure grows with it. Without focus, an organization may develop a structure which may not be functional nor in the best interest of the company.

Functional Organization Chart

The Functional Organization Chart is a graphic portrayal of the key functional areas of the company. It represents groupings of functions, not individuals, by major category as boxes. The various levels, from top to bottom, indicate relative levels of authority and responsibility. Lines connecting boxes are basic avenues of communication connecting different authority levels.

The chart is a valuable tool in depicting and explaining the basic workings of the organization to its members.

Functions

Each functional area (box) represents a common grouping of functions that need to be performed in that area. The number of functions varies from box to box and from organization to organization. However, a basic core of functions will be common to each area within each company.

Positional Organization Chart

It naturally follows that people must perform the functions already defined. This provides the nucleus for development of the Positional Organization Chart which depicts positions, personnel assigned to these positions, levels of authority and responsibility, channels of communication and reporting relationships, and the potential areas for delegation of authority.

Flow of Authority

The President of the company selects and appoints all other managers that are necessary for the efficient running of the business, but only to the level of direct reporting.

Selected by Function Heads and responsible to each head are the supervisors of the sub-functions. To each is delegated the authority and responsibility commensurate with the position. This person is thus given authority, responsibility, duties, and "signing off" capacity. This also stands as the agreement that the person has accepted the authority allowed and that the supervisor or manager has granted such authority. This person is fully accountable for performance in his or her area. Other individuals in the organization, regardless of their position, who desire input into a function, must work through the head of this function.

Below each function head are the functions, each the direct responsibility of one, and only one, person, selected and appointed by the sub-function head.

Line of Responsibility

There is only one line of responsibility in the organization. One person may fulfill more than one function, but only one function is responsible to only one other function. One function cannot serve two masters.

Cross-contacts (in the form of cooperation) can be provided for by easily understood agreements between function heads. This permits any member of the organization to cooperate, provided only that he/she keeps his/her immediate supervisor informed regarding such contacts. This applies especially to matters for which the function head is held responsible by the person immediately above him/her.

Functional Organization Structure (continued)

Importance of Delegation

Good organization requires that the delegation of responsibility be basically complete and that every person in the organization be given the maximum possible autonomy. The organization which does not delegate limits its effectiveness to the talents and energies of a few people. By delegating, the company completely utilizes the energies and talents of every member of the organization. Each will be judged by results over a period of time -- and not by a single episode.

Delegation of responsibility requires equal delegation of authority. Authority means the right to direct, coordinate and decide, but does not imply autocracy. A supervisor's invasion of the area of authority of a subordinate has the effect of relieving the subordinate of responsibility without definite and continuing resumption of responsibility. It brings about confusion and results in serious loss of productivity.

Synthesis of the Organization Chart

To serve as a guide in reading the chart, and to establish the relative positions between functions, the following outline is given: DOWN the channels (from the top of the chart) flow the directives, responsibilities, policies and controls which management requires. UP the channels flow the reports and records which are necessary to keep management informed. These communicate the results of operations and insure the implementation of directives that have been passed down the line.

Orders pass directly through the function which the channels connect. Each function sorts and acts upon them, making decisions and accepting responsibilities involved, passing them up or down, as the case may be.

There is no relationship of authority between positions on the same level. There are, however, relationships between the functions in the organization, not shown by channels of authority. These relationships have no authority over one another but must be maintained through cooperation and mutual assistance.

Conclusion

Proper organization allows the company to grow successfully. As duties are accomplished and positive feedback adjusts for shortcomings or deficiencies, the individual will grow in his or her responsibility.

Each person knows from whom he or she receives direction and to whom he/she reports. Everyone knows what the company expects, and what the standards of performance measures are. With these clearly defined duties and responsibilities, each employee can be evaluated and compensated on performance.

All personnel must abide by and enforce the functional organization concept. This is a team concept with each person knowing their responsibilities. By using the chain of command properly, communications improve, responsibility is properly controlled and the work of the organization is properly delegated.

When each employee understands and operates within the scope of these organizational principles, far better coordination and cooperation will result. As an additional benefit, better cross training can occur because the duties have been defined, and the depth of management has been strengthened.