

## DEPARTMENTATION

**Departmentation** or Departmentalisation is the process of grouping the activities of an enterprise into several units for the purpose of administration at all levels. It also provides a basis on which the top **managers** can co-ordinate and control the activities of the departmental units.

Departmentation can provide a necessary degree of specialisation of executive activity for efficient performance. It can simplify the tasks of management within a workable span. It also provides a basis on which the top managers can co-ordinate and control the activities of the departmental units.

Departmentation is a part of the organisation process. It involves the grouping of common activities under a single person's control. The activities are grouped on the basis of a function of the organisation.

This work is done by a chief executive of the concerned organisation.

Departmentation means the process by which similar activities of the business are grouped into units for the purpose of facilitating smooth administration at all levels. It implies the division of total work of an organisation into individual functions and sub functions. It is the process of division of organisation into different parts known as departments.

According to L. A. Allen – "Departmentation is the means of dividing a large and monolithic functional organisation into smaller, flexible, administrative units."

**Need for and Importance of Departmentation:**

The basic need for departmentation is to make the size of each departmental unit manageable and secure the advantages of specialisation. Grouping of activities and, consequently, of personnel, into departments makes it possible to expand an enterprise to any extent.

**Departmentation is necessary on account of the following reasons:**

**1. Advantages of Specialisation:**

Departmentation enables an enterprise to avail of the benefits of specialisation. When every department looks after one major function, the enterprise is developed and efficiency of operations is increased.

**2. Feeling of Autonomy:**

Normally departments are created in the enterprise with certain degree of autonomy and freedom. The manager in charge of a department can take independent decisions within the overall framework of the organisation. The feeling of autonomy provides job satisfaction and motivation which lead to higher efficiency of operations.

**3. Expansion:**

One manager can supervise and direct only a few subordinates. Grouping of activities and personnel into departmentation makes it possible for the enterprise to expand and grow.

**4. Fixation of Responsibility:**

Departmentation enables each person to know the specific role he is to play in the total organisation. The responsibility for results can be defined more clearly, precisely and accurately and an individual can be held accountable for the performance of his responsibility.

**5. Upliftment of Managerial Skill:**

Departmentation helps in the development of managerial skill. Development is possible due to two factors. Firstly, the managers focus their attention on some specific problems which provide them effective on-the-job training. Secondly, managerial need for further training can be identified easily because the managers' role is prescribed and training can provide them opportunity to work better in their area of specialisation.

**6. Facility in Appraisal:**

Appraisal of managerial performance becomes easier when specific tasks are assigned to departmental personnel. Managerial performance can be measured when the areas of activities are specified and the standards of performance are fixed. Departmentation provides help in both these areas.

When a broader function is divided into small segments and a particular segment is assigned to each manager, the area to be appraised is clearly known; and the factors affecting the performance can be pointed out more easily. Similarly, the standards for performance can be fixed easily because the factors influencing the work performance can be known clearly. Thus, performance appraisal becomes more effective.

**7. Administrative Control:**

Departmentation is a means of dividing the large and complex organisation into small administrative units. Grouping of activities and personnel into manageable units facilitates administrative control. Standards of performance for each and every department can be precisely determined.

**Types of Departmentation:**

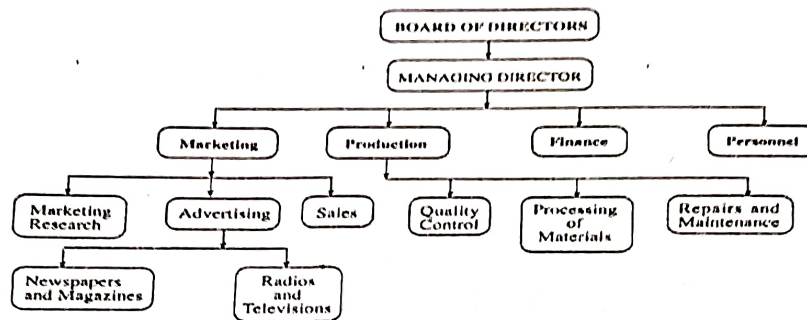
There are several bases of Departmentation. The more commonly used bases are—function, product, territory, process, customer, time etc.

These are explained below:

**(A) Departmentation by Functions:**

The enterprise may be divided into departments on the basis of functions like production, purchasing, sales, financing, personnel etc. This is the most popular basis of departmentation. If necessary, a major function may be divided into sub-functions. For example, the activities in the production department may be classified into quality control, processing of materials, and repairs and maintenance.

The organisation chart of functional departmentation may take the following form:



**Advantages:**

The advantages of functional departmentation include the following:

- (a) It is the most logical and natural form of departmentation.
- (b) It ensures the performance of all activities necessary for achieving the organisational objectives.
- (c) It provides occupational specialisation which makes optimum utilization of man-power.
- (d) It facilitates delegation of authority.
- (e) It enables the top managers to exercise effective control over a limited number of functions.
- (f) It eliminates duplication of activities.
- (g) It simplifies training because the managers are to be experts only in a narrow range of skills.

**Disadvantages:**

There are some problems associated with functional departmentation. These are mentioned below:

- (a) There may be conflicts between departments.
- (b) The scope for management development is limited. Functional managers do not get training for top management positions. The responsibility for results cannot be fixed on any one functional head.
- (c) There is too much emphasis on specialisation.
- (d) There may be difficulties in coordinating the activities of different departments.
- (e) There may be inflexibility and complexity of operations.

**(B) Departmentation by Products:**

In product departmentation, every major product is organised as a separate department. Each department looks after the production, sales and financing of one product. Product departmentation is

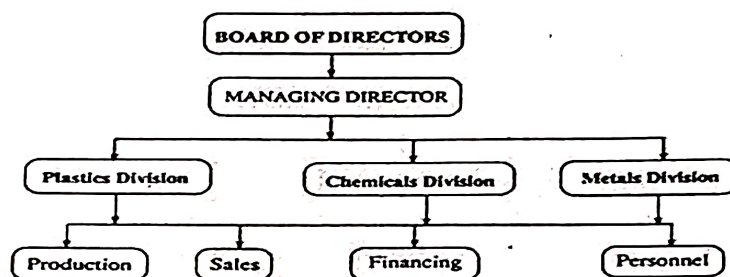


useful when the expansion, diversification, manufacturing and marketing characteristics of each product are primarily significant.

It is generally used when the production line is complex and diverse requiring specialised knowledge and huge capital is required for plant, equipment and other facilities such as in automobile and electronic industries.

In fact, many large companies are diversifying in different fields and they prefer product departmentation. For example, a big company with a diversified product line may have three product divisions, one each for plastics, chemicals, and metals. Each division may be sub-divided into production, sales, financing, and personnel activities.

The organisation chart of product departmentation may take the following form:



#### Advantages:

**Product departmentation provides several advantages which may be stated as follows:**

- (a) Product departmentation focuses individual attention to each product line which facilitates the expansion and diversification of the products.
- (b) It ensures full use of specialised production facilities. Personal skill and specialised knowledge of the production managers can be fully utilised.
- (c) The production managers can be held accountable for the profitability of each product. Each product division is semi-autonomous and contains different functions. So, product departmentation provides an excellent training facility for the top managers.
- (d) The performance of each product division and its contribution to total results can be easily evaluated.
- (e) It is more flexible and adaptable to change.

#### Disadvantages:

**Product departmentation presents some problems as follows:**

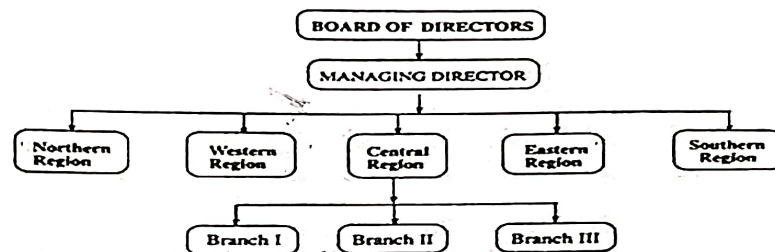
- (a) It creates the problem of effective control over the product divisions by the top managers.
- (b) Each production manager asserts his autonomy disregarding the interests of the organisation.
- (c) The advantages of centralisation of certain activities like financing, and accounting are not available.
- (d) There is duplication of physical facilities and functions. Each product division maintains its own specialised personnel due to which operating costs may be high.
- (e) There may be under-utilisation of plant capacity when the demand for a particular product is not adequate.

### **(C) Departmentation by Territory:**

Territorial or geographical departmentation is specially useful to large-scale enterprises whose activities are widely dispersed. Banks, insurance companies, transport companies, distribution agencies etc. are some examples of such enterprises, where all the activities of a given area of operations are grouped into zones, branches, divisions etc.

It is obviously not possible for one functional manager to manage efficiently such widely spread activities. This makes it necessary to appoint regional managers for different regions.

The organisation chart of territorial departmentation may take the following form:



#### **Advantages:**

**Territorial departmentation offers certain facilities in operation. These are pointed out below:**

- (a) Every regional manager can specialise himself in the peculiar problems of his region.
- (b) It facilitates the expansion of business to various regions.
- (c) It helps in achieving the benefits of local operations. The local managers are more familiar with the local customs, preferences, styles, fashion, etc. The enterprise can gain intimate knowledge of the conditions in the local markets.
- (d) It results in savings in freight, rents, and labour costs. It also saves time.
- (e) There is better co-ordination of activities in a locality through setting up regional divisions.
- (f) It provides adequate autonomy to each regional manager and opportunity to train him as he looks after the entire operation of a unit.

#### **Disadvantages:**

**Territorial departmentation have the following problems:**

- (a) There is the problem of communication.
- (b) It requires more managers with general managerial abilities. Such managers may not be always available.
- (c) There may be conflict between the regional managers.
- (d) Co-ordination and control of different branches from the head office become less effective.
- (e) Owing to duplication of physical facilities, costs of operation are usually high.
- (f) There is multiplication of personnel, accounting and other services at the regional level.