Types of Organizations

1. **Organization By function**: Grouping activities in accordance with the function of an enterprise, functional departmentation what enterprises typically do. Because all enterprises undertake the creation of something useful and desired by others, the basic enterprise functions are production, selling and financing. It has been logical to group these activities into such departments as engineering, production, selling or marketing and finance. Figure shows a typical functional grouping for a manufacturing company.

President

- Assistant to president
- Personnel

Marketing	Engineering	Production	Finance
Market research	Engineering administration	Production planning	Financial Planning
Marketing Planning	Preliminary design	Industrial engineering	Budgets
Advertising and promotion	Electrical engineering	Production engineering	General accounting
Sales admin.	Mechanical engineering	Purchasing	cost accounting
Sales	Packaging	Tooling	Statistics and data processing
	Quality Control	General Production	

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Functional departmentation is the most widely used basis for organizing activities and is present in almost every enterprise at some level in the organizational structure. The characteristic of the selling, production and finance functions of enterprises are so widely recognized and thoroughly understood that they are the basis of not only departmental organization but also, most often of departmentation at the top level.

Organization by Territory or Geography: Departmentation based on territory is common in enterprises that operate over wide geographic areas. In this case it may be important that activities in a given area or territory be grouped and assigned to a manager.

Business firms resort to this method when similar operations are undertaken in different geographic areas, as in automobile assembling, chain retailing and wholesaling and oil refining. Many government agencies - the tax department, the central bank, the courts and the postal service among others - adopt this basis of organization in their efforts to provide like services simultaneously across the nation.

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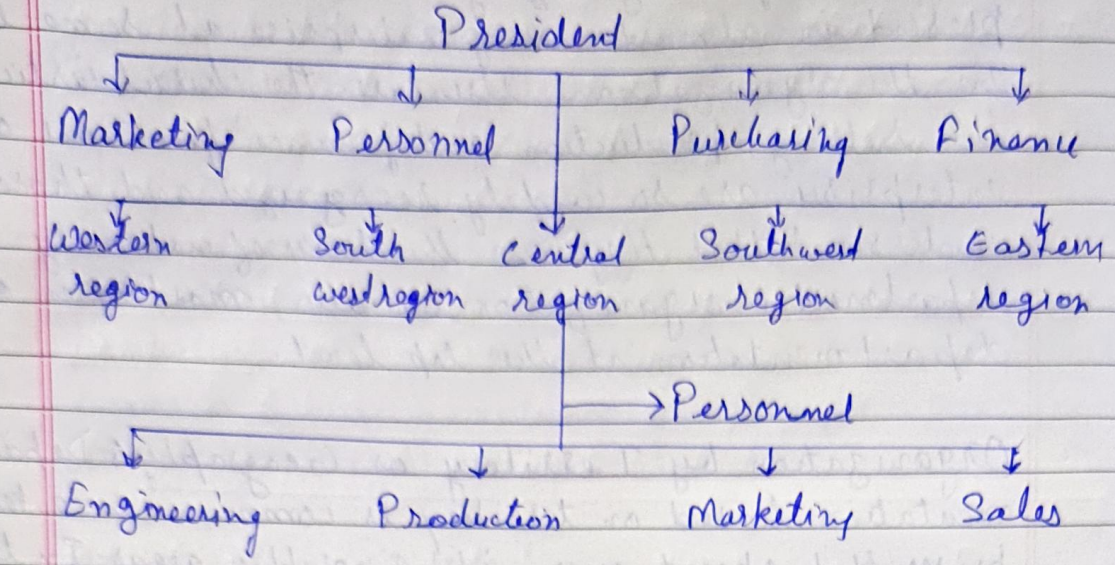
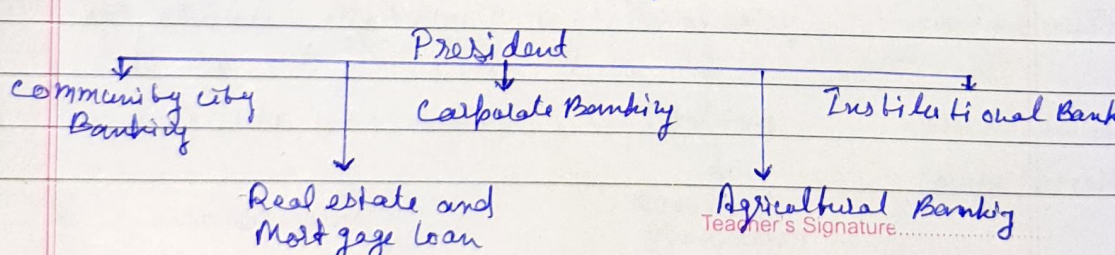
A territorial or Geographic Organization Grouping



Department by Customer Group

Grouping activities so that they reflect a primary interest in customers is common in a variety of enterprises. Customers are the key to the way activities are grouped when each customer group is managed by one department head. The industrial sales department of a wholesaler that also sells to retailers in a case in point. Business owners and managers frequently arrange activities on this basis to cater to the requirements of clearly defined customer group.

Customer department in a large bank



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Advantages

* Encourages focus on customer needs
* Gives customers that feeling that they have an understanding supplier (banker)
* Develops expertise in customer area.

Disadvantages

* May be difficult to coordinate operations between competing customer demands.
* Requires managers and staff expert in customers' problems
* Customers groups may not always be clearly defined.

Organization by Product

Grouping activities on the basis of products or product line has been growing in importance in multiline, large scale enterprises. It can be seen as an evolutionary process. Typically, companies and other enterprises adopting this form of departmentation were organized by enterprise functions. With the growth of the firm, production managers, sales and service managers and engineering executives encountered problems of size. The managerial job became complex and the span of management limited the managers' ability to increase the number of immediate subordinate managers. At this point reorganization on the basis of product division became necessary. This structure permits top

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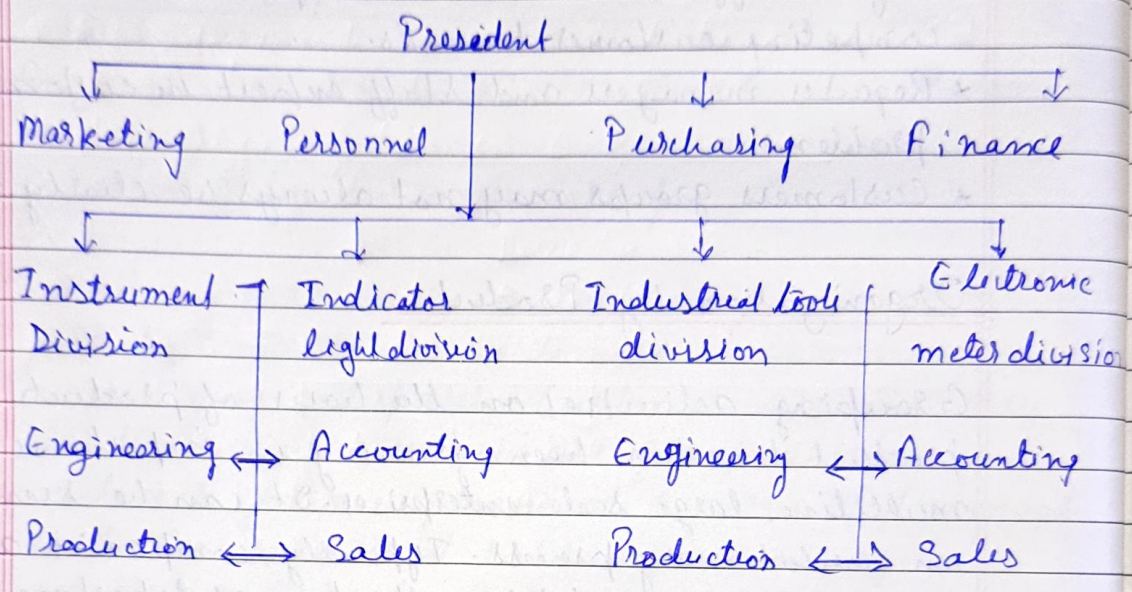
management to delegate to a division executive extensive authority over the manufacturing, sales, service and engineering functions that relate to a given product or product line and to exact a considerable degree of profit responsibility from each of these managers.

A Product Organization Grouping in a manufacturing Company



Advantages

* Places attention and effort on product line
* Facilitates use of specialized capital, facilities skills and knowledges
* permits growth and diversity of products and services improves coordination of functional activities.

* Places responsibility for profits at the division level.
* Furnishes measurable training ground for general managers

Disadvantages

* Requires more persons with general manager abilities
* Tends to make maintenance of economical central services difficult.
* Presents increased problem of top management control.

Matrix Organization

Another kind of departmentation is matrix or grid organization. The essence of matrix organization normally is the combining of functional and project or product patterns of departmentation in the same organization structure.

This kind of organization occurs frequently in construction, in aerospace, in marketing, in installation of an electronic data processing systems, or in management consulting firms where management experts work together on a project.

Guidelines for Making Matrix Management Effective

* Define the objectives of the project or task.
* Clarify the roles, authority and responsibility

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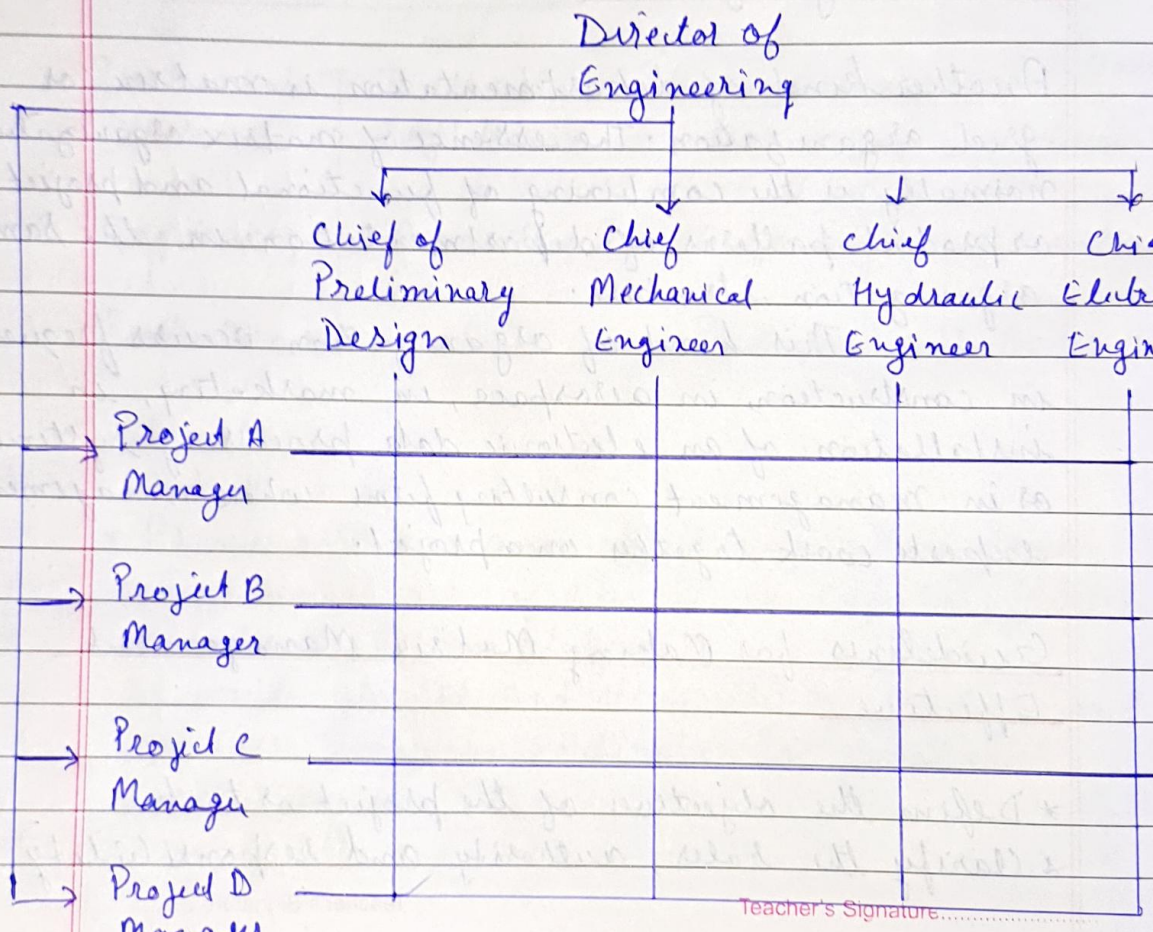
of managers and team members.

* Ensure that influence is based on knowledge and information rather than on rank.
* Blame the power of functional and project managers.
* Select an experienced manager for the project who can provide leadership.
* Undertake organization and team development.
* Install appropriate cost, time and quality controls that report deviations from standards in a timely manner.
* Reward project managers and team members fairly

Matrix Organization in Engineering



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Advantages

* Oriented towards end results
* Professional identification is maintained.
* Pinpoint product profit responsibility.

Disadvantages

* Conflict in organization authority exists.
* Possibility of disunity of command.
* Requires managers effective in human relations.

Strategic Business Units

Companies have been using an organizational device generally ~~reff~~ referred as a strategic business unit (SBU). SBUs are distinct businesses set up as units in a larger company to ensure that certain products or product lines are promoted and handled as though each were an independent business.

To be called an SBU, generally, a business must meet specific criteria. For example, it must have its own mission, distinct from the missions of other SBUs; have definable groups of competitors; prepare its own integrative plans, fairly distinct from those of others SBUs; manage its own resources in key areas and be of an appropriate size, neither too large nor too small.

For each SBU a manager is appointed with the responsibility of guiding and promoting the product from the research laboratory through

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product engineering, market research, production, packaging and marketing and with bottom line responsibility for its profitability. Thus an SBU is given its own mission and goals as well as a manager who with the assistance of full-time or part-time staff will develop and implement strategic and operating plans for the product.

The major benefit of utilizing an SBU organization is to provide assurance that a product will not get "lost" among other products in a large company.