

Introduction to Management

Quiz No. 02

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**Introduction to Departments**

Departmentation refers to the process of dividing the activities of an organization into different units or departments. These administrative units can be designated as departments, divisions, units, branches, sections, or any other name chosen by the organization. The purpose of departmentation is to organize the various activities of the enterprise in a manner that facilitates their administration at all levels.

There are multiple types of departmentation. Most used bases are:

1. **Department by Function**
2. **Department by product**
3. **Department by Territory**

Departmentation by Territory is a method of organizing a company based on geographic regions. In this method, the company is divided into different regions, and each region is considered a separate department. The department is responsible for all business activities that occur within that geographic region.

Benefits of departmentation by territory:

1. By having a department in each territory, the company can easily access local resources, such as raw materials, labor, and transportation.
2. By organizing the company by territory, resources can be allocated more efficiently, and the company can avoid duplication of efforts.

Disadvantages of departmentation by territory:

1. Departmentation by territory may lead to a lack of specialization and this could affect productivity and efficiency within the department.
2. This method can be inflexible in terms of responding to changes in the market, as departments are set up according to geographical regions.
3. **Department by Customers**

Departmentation by Customers is a method of organizing a company based on the needs and characteristics of its customers. In this method, the company is divided into different departments based on the type of customer they serve.

For example, a company that sells clothing might have departments for men's clothing, women's clothing, children's clothing, and so on. Each department is responsible for meeting the specific needs of their target customer.

Benefits of departmentation by customers:

1. By organizing the company by customers, each department can better focus on meeting the specific needs of their target customer.
2. By organizing the company by customers, the company can more effectively target their marketing efforts to specific customer segments.

Disadvantages of departmentation by customers:

1. Different departments may end up dealing with the same customers, leading to duplication of efforts and confusion.
2. When departments are organized by customer, it can be challenging to meet the diverse needs of each customer. This can lead to dissatisfaction.
3. **Department by Process or Equipment**
4. **Department by Number and Time**