

Functional departmentalization defines departments based upon the respective functions each one performs for the organization such as accounting or purchasing. In other words it groups jobs according to function. Every Organization must perform certain jobs in order to do its work .For example, Manufacturing, Production, Purchasing etc. These jobs have similar work in common and are therefore grouped together in departments. This sort of departmentalization includes the people that are within the organization to have the same knowledge or skills, just as the Accounting Department having persons of commerce and Marketing Department having MBA persons. An organization can be arranged according to a variety of structures, which determine how the organization will operate and perform. In a functional structure, an organization is divided into smaller groups by areas of specialty such as IT, finance, operations, and marketing.

Advantages- Functional departmentalization may be an advantage because it can increase efficiency and expertise since all related activities are performed in one place by one group of people that specialize in that activity. It also permits greater operational efficiency because employees with shared skills and knowledge are grouped together by functions performed. Efficiency comes from putting together similar specialist and people with common skills, knowledge and orientations. This arrangement allows for in-depth specialization and co-ordination within functional area.

Disadvantages- A disadvantage of this structure is that the different functional groups may not communicate with one another and is likely to notice poor communication across functional areas , mostly decreasing flexibility and innovation. A limited view of organizational goals is a major disadvantage and will be hard to maintain within the department.