

# Define functional organizations and product organization

[Business](#)



**Functional Organizations** This is the traditional type of organization. Under functional departments, employees with closely related skills and responsibilities (functions) are located in the same department. Workers in each of these functions specialized in their tasks and knowledge. For example, senior management set rules and procedures as how to transfer the sales orders into the production schedule, how the customer service deal with complaints and warranty issues. They also have large input in the production process.

The main advantage of functional organization is efficiency. It works best in small to medium-sized firms that offer relatively few product lines or services. Example of this functional organization will be for a company that manufactured outdoor BBQ stoves. The Sales people get the orders from the customers; the orders are transfer to the production department for production. Products are made and shipping department ships them to customers. Each department is rated by their department performance.

Quality department could delay shipment if they feel the product is not meeting specification, affecting Sales target and their commission. **Product Organizations** Product organizations are formed based on a particular product, or service. Each of these departments can operate fairly autonomously. A key advantage is better coordination and fewer barriers to communication among the functional specialists who work on a particular product. , Therefore, able to response to customers in a timely way.

On the other hand, the disadvantage is that product-oriented departments might actually work at cross purposes. For Example, Toyota has a luxury high end line of automobiles called Lexus in addition to their Toyota Brand. <https://assignbuster.com/define-functional-organizations-and-product-organization/>

Dealer either sells Toyota or Lexus but not both. Each dealer has the same Sales and Service department. The logic behind this split is Toyota management believe the customers who buy the Lexus brand are more affluent and demand higher and better service.